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## WEST EUROPE REPORT

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NUCLEAR THREAT IN CENTRAL EUROPE, PEACE MOVEMENT VIEWED

West Berlin DIE TAGESZEITUNG in German 22 Apr 83 pp 10-11

[Article by Gerhard Zwerenz, "Germany--Automated Battlefield or: I am Surprised That I Am Sitting So Quietly On My Chair"]

[Text] At the meeting of writers on 13/14 December 1981 in East Berlin an episode occurred which received hardly any attention, but which is nevertheless of significance. The GDR writer Stefan Heym spoke up in favor of a free, non-directed peace demonstration at the Alexander Square in East Berlin, "for the abolition of nuclear weapons from both German states, from the FRG as well as the GDR.

This elicited the following reply from Professor Daniil Proektor of the Moscow Institute of World Economics and International Relations of the Academy of Sciences: "As a military expert I would like to say that this demonstration at the Alexander Square will have no basis. There are no nuclear weapons in the GDR."

This reply, which was captured on tape for protocol purposes, was changed by Professor Proektor himself for the printing of the protocol and reads in the book version as follows: "As military expert I would like to say that this demonstration at the Alexander Square will have no basis. Only the launch vehicles for the nuclear war-heads are found in the GDR. The war-heads themselves are in the USSR under lock and key."

This statement is interesting in two ways. For one thing, the fact that a professor of the Moscow Institute of World Economics and International Relations reveals himself so simply as a military expert. Secondly, that this military expert made such an error in his verbal contribution and changed his statement subsequently for the protocol.

Thus the question is: Why did the professor at first insist that there are no nuclear weapons in the GDR? Why did he admit subsequently that there are launch vehicles, but no war-heads?

In the complete text of all contributions, published by Luchterhand under the title "Berlin Encounter for the Promotion of Peace", the correction made by the Moscow professor is expressly noted. In the pocket book edition "Not Bad,

Not Bad", published later by Goldmann, where The Hague meeting and the Interlit [not further identified] in Cologne are also documented, the reference to the correction is missing, indeed the controversy itself is missing. Heym's first spoken contribution is shortened, his proposals for a free peace demonstration at the Alexander Square in East Berlin are likewise missing. Professor Proektor's original reply to them has been omitted, just like his correction.

The reason why the publishers of the Goldmann volume omitted such incriminating texts remains unknown. Of course, the analytical comparison of the unabridged protocols and the abridged texts gives rise to the suspicion of a deliberate harmonization. The desired end is the propagandistic understatement, not the objective presentation of the facts of the case. However, the absence of the original text is made acceptable by the fact that at the meeting in The Hague Stefan Heym himself once again described the Berlin controversy. To be sure, the event was no longer as fresh and precisely comprehensible and loses something of its realistic directness, but nevertheless the point of the issue becomes intelligible.

Stefan Heym: ". . .when at the Berlin meeting the question of nuclear weapons came up, the Soviet comrade Proektor, who called himself a military expert, declared that there are no nuclear weapons in the GDR. When I wanted to reply to this statement, my microphone no longer worked. During the intermission I then went to see him and asked him about the kinds of objects that are being paraded on October 7 in our country along the Karl-Marx-Allee [Karl-Marx Avenue], to which Stephan Hermlin has also made reference. And then Proektor said that these are launch vehicles. The nuclear warheads, according to him, are under lock and key in Soviet hands. . ."

Heym then noted that the correction made by Professor Proektor was marked with an asterisk in the Luchterhand edition, whereas footnote and asterisk were missing in the GDR Academy edition. (Why? Perhaps because such a highly-placed Soviet professor is not capable of making an error and, consequently, cannot make a correction?) Subsequently a significant exchange of words took place at the meeting in The Hague between Stefan Heym and Stephan Hermlin.

Stephan Hermlin: "We are talking about war-heads."

Stefan Heym: "Precisely, precisely. But you may rest assured that the war-heads will be mounted on the launch vehicles in time."

Stephan Hermlin: "I do not have any worries in this respect."

The protocol at this point reports in short: "With this, the first topic--there were no more people who had asked to speak--came to an end." Well, what more should have been said? Stefan Heym registers his worries because of the Soviet war-heads which, in case of war, will be mounted on the launch vehicles in good time, and Stephan Hermlin "has no worries in this respect".

These are just literary formulations in regard to the question of peace, manifestations of the concern over the threatening end of the world. But no: Don't worry. Things will work out after all.

In addition to the sloppy language of Stephan Hermlin, it may come as a surprise how sloppily and inadequately the writers' peace meeting was prepared. But this was by no means intended. On the contrary, at an internal preparatory meeting in Moscow everything had been coordinated: The circle of participants, the assistance which the Soviet Union of Writers was to extend to the German Union of Writers, and the even more far-reaching support through experts not belonging to the Union of Writers. The plan called for a division of labor: The officials belonging to the Union of Writers were to give the usual speeches extolling peace, engage in polemics against the United States, and present the plan for a nuclear-free zone and the dissolution of the two military blocs. That sort of thing always sounds good and, because it is too abstract, does not change anything. Thus the Moscow secretaries for literature Sergey Mikhalkov and Aleksandr Chakovskiy saw to this agitational task, and for the case of necessity of a factual discussion involving military questions Professor Proektor was sent. The latter, however, proved to be below the level of necessary knowledge, indeed it looks as if he was surprised by Stefan Heym's demand for a free peace demonstration in the midst of East Berlin. In his endeavor to smash down the demand of Heym, he made the assertion concerning the non-existence of Soviet nuclear weapons in the GDR. After his return to Moscow, he was informed that this argument was not defensible. So he corrected himself by admitting the launch vehicles.

But in so doing, he touched--possibly without knowing it--on the really hot issue, which in all three peace discussions of the writers was left open. Yes, we must even assume that the real circumstances have remained unknown to both sides. As far as the participants from the East are concerned, this may come as a surprise, but it is by no means astonishing. The secrecy of the Soviets goes so far that frequently their own delegates are not sufficiently informed.

In the case of the peace discussions of the writers, the Soviet conception aimed one-sidedly at the strengthening of the West German peace movement. Some GDR writers, on the other hand, sought to utilize the talks for the demand of an independent peace movement in the GDR. Since this is precisely what the GDR cannot accept, if it does not want to risk internal disturbances and Polish conditions, it arranged for the rebuttal of these demands through discussion participants who are faithful to the party line. Thus it proved possible to defuse the discussions for its own GDR side and to turn the thrust again in the direction of the Western peace movement. Whenever one of the Western discussion participants talked about the Soviet SS-20, the East answered with attacks against the United States and played down the SS-20 as a defensive weapon forced on the East.

Precisely this is wrong. While in building the SS-20 the Soviet Union did not violate any agreement and this powerful armament of intermediate-range weapons reflects the exaggerated Soviet need for security, it is nevertheless also a fact that, with this superiority of theirs in intermediate-range weapons, the Soviets have become a risk factor for Europe and West Germany.

This is the point at which the FRG must bring to bear its national security interests. Unfortunately, the West German participants in the discussion neglected to make this clear during the three meetings.



The Germans of the FRG and the GDR, but also their neighbors and especially the Czechs and the Poles, are the first victims of the looming limited nuclear war which can, if not has to, be the result of the escalation of both super powers.

Evidently it is correct that the Soviets had not placed any atomic war-heads on the territory of the GDR. They could also have done without the launch vehicles. Already with their older rockets they could reach Europe and the FRG from Soviet territory. By stationing their modern SS-20's they perfected their threat.

We must put on record once again: Whatever motivated the Soviets to undertake an excessive armament with expensive intermediate-range weapons, this was the first act of a nuclear escalation for which the NATO-armament with Pershing II and cruise missiles, called rearmament, would be the second act.

In a strategic respect the word "rearmament" may even be correct, for it is an answer to the SS-20 threat. However, what the advocates of a rearmament policy pass off as effective protection is no such thing. While it is true that the Soviets are threatening Europe with their SS-20's, nevertheless when NATO now proceeds with the rearmament in Europe involving intermediate-range rockets, it is posing a threat to the Soviet heartland from here. It is entirely correct to point to the historical example when Khrushchev wanted to threaten the United States with rockets stationed on Cuba and the United States regarded this as a basis for war and prevented it. Europe is now being rearmed by the United States into a nuclear Cuba directed against Moscow. The Soviets are in no position at all to accept this without a reaction.

The interest of the Germans, who are most endangered, their as it were national interest not to be reunified in death, presupposes knowledge of the fatal fact that both super powers have undertaken nuclear escalation on German territory and to the disadvantage of the Germans. The Soviets escalated in the sphere of intermediate-range rockets and thus were in a position to station only launch vehicles without nuclear war-heads on GDR territory. The NATO rearmament, on the other hand, draws even not merely simply in the intermediate-range sector, but adds to the threat of the Soviet Union posed by intercontinental rockets that posed by intermediate-range weapons. It is only logical that the Soviets thereupon escalate in their turn and must threaten the Pershing II and cruise missiles that are being stationed in Europe. As things stand, this must be done with fast short-range weapons. Consequently, the Soviets will now station the most modern short-range weapons in Poland and the GDR, which will require less than a minute of flying time and are capable of destroying the NATO intermediate-range weapons through a first strike in the case of imminent danger. Of course, in its turn, the West will have to threaten the short-range weapons of the Soviets on the GDR territory again with still faster weapons, so that the danger of an automated battle field looms on the horizon, where every false alarm, false start, indeed every political tension can and must lead to an exchange of blows simply because no side can risk to wait and fall to destruction. In case of doubt, they will just attack, and whether this will result in a limited or general nuclear war will make no difference to the Germans in East and West in any case, they are no longer alive and are the first victims.

In retrospect, it also becomes clear what political and military strategies the two superpowers are pursuing. With the three peace discussions of the writers, the Soviets were still making an effort to strengthen and consolidate the West German peace movement. Should the NATO rearmament be prevented, the Soviet Union would retain its superiority in regard to the intermediate-range [weapons]. On the other hand, the efforts of the Americans to rearm in this sector are becoming understandable. The fact that in so doing the threat to Europe increases is less important to the United States than the state of affairs of the achieved balance. An advantage of the Soviets is balanced. Should this parity as a consequence of a battlefield automation lead to a nuclear war limited to Europe, this, too, has an undeniable advantage for the United States: The possibility of keeping the territory of the United States out of the fire inclines to greater hope than the certainty to be drawn into a nuclear exchange for sure in case of an exchange of blows with intercontinental rockets. In other words: In a nuclear war with intermediate-range weapons, the SS-20's will destroy Europe and the Pershing II and cruise missiles stationed in Europe--the GDR, Poland, and a large part of the European Soviet Union. On the ruins of this limited nuclear debacle, an armistice between the superpowers can then always still be attempted. But if not, the Soviet Union will be struck to such an extent that it will be easier for the United States to destroy it completely. This is the sick logic of coldly planning nuclear strategists, who can hope to survive any nuclear war with certainty in their super-hardened underground command shelters. On both sides, by the way.

Those who have recognized this danger situation see themselves put in the bad situation of having not only to mistrust, but to resist both superpowers. The peace rhetoric of the Soviets turns out to be the mere ideology of the attempt to be able to maintain the attained superiority in the intermediate-range sector. In that situation it is easy [for the Soviets] to point to the fact that they have not stationed any nuclear war-heads on GDR territory, which, of course, would have to change in the course of a Western rearmament, for in that case any number of short-range weapons will be stationed in the GDR ready to fire very quickly.

The Americans, on the other hand, appear as our selfless protectors only as long as we do not explain to ourselves what consequences the rearmament must entail: A clearly inescapable threat on German soil, the automated battlefield Germany.

Who really will want to go on living in this target area?

A corner of the camouflage net which has been spread over the armaments of both superpowers was recently lifted by the United States itself, about which the first report appeared in STERN No 51/82: "How Moscow Is Expanding the Nuclear Platform GDR".

In so doing, Washington is endeavoring to portray the Soviet rearmament in the GDR, which is beginning to become apparent in its beginning outlines, as evidence of the nuclear threat to the West through the Soviets. Concealed is the fact that this is only partly true. The Germans are not supposed to

notice how both sides are turning the escalation screw. The STERN, moreover, reported only what the United States deemed necessary to publish. According to this, the Soviets have recently built hardened storage facilities for nuclear weapons. They have stationed new airplanes, nuclear guns, and short-range rockets.

Among the rockets, only the SS-21 with a range of 120 kilometers are mentioned. No mention is made of the SS-22 and SS-23, whose greater range makes them the weapons posing the real threat to the Pershing II and the cruise missiles that in the course of the rearmament decision of NATO are to be stationed in our country. The escalation of the threat expresses itself in the reduction of the flight time: The intercontinental rockets take 5 minutes. The short-range rockets reach their goal in less than 1 minute.

It is clear that every side seeks to render the respective weapons of the other side even more quickly and "more preventively" destructible. It is clear that, if the East has stationed its short-range weapons all the way up to the border of the GDR with the West, the West will have to follow suit with still shorter-range and faster weapons.

President Reagan coupled his last armament push with the offer to the Soviets to provide for better communication between the two superpowers to avoid an accidental war. Thereupon Egon Bahr raised the question in VORWAERTS: "But what about Europe? What about flight times of 3-6 minutes?" Taking into account the next, shortly impending escalation stage, he should have asked: "What about flight times of seconds?"

If things continue to go on as they have been, there is only one future for Central Europe: It will become the first automated battlefield of the entire earth. And thus quite certainly really and truly a battlefield. It is precisely this danger which is supposed to be minimized, and it is being minimized by the fact that our politicians are silent on this subject. Minimization also lies in the fact that the United States only speaks of airplanes, nuclear guns and SS-21's, which the Soviets are now stationing in the GDR. The nuclear guns and the SS-21's with their short range of 120 kilometers can still be regarded as defensive weapons, the locations for the stationing of the Western Pershing II rockets and cruise missiles do not lie within their range. The situation becomes really threatening for us only with the SS-22's and SS-23's, which are approximately comparable to the new French Hades-Rocket with ranges of 350 kilometers and more. These short-range weapons, stationed in the GDR, threaten the NATO rearmament potentials and have first-strike qualities. In case of a crisis the Soviets cannot afford to wait for the West to make use of its intermediate-range weapons for a preventive first strike; they will, in their turn, seek to prevent it with a devastating strike at the areas where the Pershing II and the cruise missiles are stationed. Not to see this dialectic of destruction or to see it, but not to signal it, is such an incriminating omission on the part of our responsible politicians that the question is permitted of whether they are really prepared to avert danger from the FRG.

Meanwhile the pace of escalation is proceeding as vigorously as that of confusion. In the SPIEGEL of 17 January 1983 we find the following report about the most recent Moscow-visit by Hans-Jochen Vogel: "And finally Vogel found

out that the Soviets are willing to agree to a moratorium on short-range rockets up to a range of 1,000 kilometers. This would be an obligation not to erect any new missiles against Western Europe, for example in the Czech Socialist Republic and in the GDR."

That was either imprecisely reported or disseminated or asked imprecisely by Vogel. In reality the Soviets can be willing to agree to a moratorium on short-range rockets only if the NATO rearmament does not take place. If, however, it does take place, the installation of quite specific new short-range rockets in the western areas of the GDR and the Czech Socialist Republic are part of the bundle of indispensable Soviet countermeasures. Precisely this is also the reason why it would be inexcusable, were a Bonn government to permit the stationing of rearmament intermediate-range weapons solely on German soil. The Soviets could threaten these NATO weapons throughout with short-range rockets, which would remain under the range of 500 kilometers. There is no greater distance anywhere from Thuringen [Thuringia] to the location of the Pershing II in the west of Germany, and if the Soviets felt threatened, their short-range rockets would need no longer than 1 minute before impact. In other words, the risk of a limited nuclear strike would, indeed, become immeasurable and something for which no one could take the responsibility.

If the reports from different quarters are true and Federal Chancellor Kohl did, indeed, grant permission to the Americans to station their intermediate-range weapons on West German soil even if other NATO states refuse the stationing on their territory, Rudolf Augstein will only be proved too right when, in the same edition of DER SPIEGEL, he says about Helmut Kohl: "He marks the Federal Republic as the preferred testing ground and battlefield, as the glacis of the French and the Americans." Now it is entirely possible that such words of warning are spoken in vain because the political practitioners after all want to carry out their objectives and the entire rearmament of the superpowers amounts to the conduct of psychological war. However, the politicians should take into consideration the possibility that the weapons deployed can become operational. And let no one come to us and assert that he is not quite at home in these things and does not know the details. The author of this article is only an unimportant writer, who in his research for a novel about the possible destruction of the Germans was able to peruse some computer papers showing that the Americans and NATO have by all means in computer games played through the variants of the situations which would result from NATO rearmament.

One of the variants, whose probability is high, is based precisely on the scenario sketched here--the scenario of a constantly tightened escalation screw with the result of the nuclear destruction of the Central European-German heartland.

Knowing the unspeakably dissipated cultural conditions, I regard it as possible that our leading politicians did not want, or were not allowed, to know anything about the computer maneuvers of their military. The papers, after all, are so secret!

One should assume, however, that if an unimportant novelist can find out about about this, our highly-placed politicians should be able to do so as well.



Of course, it shall not be argued that the automation of the battlefield Germany is the only escalation step on which the Soviets and the Americans encounter each other. They rather have at their disposal a number of other escalations, beginning with a renewed stationing of Soviet nuclear rockets in Cuba and extending all the way to the militarization of space. However, the Germans of both German states have no influence on this. Perhaps it is also the case that the Germans no longer have any real influence on the further escalation within their two states. Still, that is not quite decided, resistance should at least be attempted. Which raises the question of whether the Germans simply want to be dumb, to pretend to be as ignorant as they are not, according to the slogan: The potentials for destruction in both German states belong to Americans and Soviets and consequently do not concern us. By which they are like the criminal Ernst Juergens who, sentenced to death, is proud of keeping his cool until the last moment.

But what if we are not absolutely condemned to death? What if through intelligence, cunning, reason and persistently moral attitude, refusal in other words, we can make the sentence and execution impossible?

Maybe, we cannot prevent the Soviets and Americans from including space in their destructive madness. But on our own German soil we can in spite of everything oppose the scenario of life to the scenario of death. This certainly does not work if some Germans shout to other Germans: Haneman, why don't you go first! A peace movement limited to one German state will continue to arouse the suspicion of doing damage to its own side and helping the other side. Both sides, moreover, attempt to exploit the pacifism of those on the other side for their own purposes. Which leads to the beautiful grotesque of every side fighting against its own pacifists, while encouraging the pacifists of the other side, a technique which belongs into the sphere of destabilization.

The attempts by each side to weaken and destabilize the other side immeasurably complicate the struggle of the peace movement, for the individual goals of the peace movement disappear in the pluralism of interests. Thus it is doubtlessly right and necessary to prevent the NATO rearmament on West German soil, for one thing because the escalation screw must be brought to a halt somewhere, for another because the new stationing would make West Germany more unsafe. Of course, it is also true that a prevention of the NATO rearmament would give the Soviets a tactical and strategic advantage. Since the Soviet Union cannot come into the fire of its own free opinion or peace movement because such democratic corrective forces are regarded as subversive and treated as full-fledged crimes against the state, no one can prevent it from exploiting the attained advantage militarily. The Western peace movement must consider this fatality if it does not want to develop one-sided vision. It should, therefore, develop conceptions which aim at making the prevention of the NATO rearmament, should it be achieved, into the start and point of departure for a more far-reaching active peacemovement that crosses frontiers. This would not by any means be an inadmissible expansion of the peace movement, rather its legitimate internationalization, which for the Germans at the same time would be a no less legitimate nationalization, for peace is as much in the interest of the FRG Germans as the GDR Germans. Of course, the peace advocates submissive to the GDR resist, both within and outside the GDR, any frontier-crossing impulses, for the Soviets and the SED [Socialist Unity Party] perceive in every independent demo-

cratic movement a danger to their rule. On this point, however, the peace movement must not enter into compromises with any authority because in so doing it would give itself up. Thus the peace movement is forced to begin with the internationalism which was formerly the characteristic feature of the socialist and pacifist movement, until the Soviets renounced it and made it into the vehicle for their miscarried real socialism, whose nationalism destroyed the entire revolutionary leftist world movement.

If we consider our situation in the light of the menacing nuclear fire with which both sides--having first liberated us in order now to destroy us all the more effectively--threaten us, it becomes clear that we must pursue two extremely difficult and at the same time equally important goals if we do not want to cook most humbly in our own juice.

The one task consists in the recognition that, morally as well as politically and also in accordance with the Basic Law, we are bound and obligated not to let any war begin from German territory. The argumentation of the armament advocates, according to which the Pershing II and cruise missiles merely serve defensive purposes, is fragile, for in history attacks have already often had to serve the cause of defense, and no one will be able to determine how it will be this time since hardly anyone will have survived. We will therefore simply proceed from the fact that both weapons are capable of reaching the Soviet heartland from German territory and anyone who has not lost all sense of logic must recognize that the Soviets cannot be expected to accept this. They will automate their defense as well as possible, and we have already explained that the automated battlefield Germany can figure out its speedy end. Against this, then, every resistance is legitimate and even legal. No agreement and no law, no matter what they are, can obligate us to accept the collective death of our people and even to take part in its preparation. Whoever does not recognize this has not taken cognizance of the history of the development of the Third Reich and needs to be placed under a guardian.

As for the rest, here, too, the question arises concerning the validity of unconditional capitulation of the Germans in 1945, which was the last legally binding all-German act. In case of doubt, we must refer to it, and this last all-German agreement, in addition to the defeated Germans, also binds the victors, who at some point ought to ask themselves seriously what the likely consequences can be if they, in their turn, break the agreement in such manner. After all, their victory called for the demilitarization of Germany, while now they are organizing the nuclear destruction of the defeated country.

The resistance against the NATO rearmament is a commandment of prudence, it is morally completely justified, and it is with a fair degree of certainty our last chance in general to put a stop to the escalation on our own German soil. If rearmament does now take place, no reasonable chances visible any longer that make possible disarmament or at least a stop to armament in general. We then find ourselves on that inclined plane where things go up and down at the same time. Up with the weapons, down with our chances of survival.

However, intellectual honesty demands of the peace movement that it perceives, recognizes and expresses this, but also dares to take the next step. That, however, would mean that, once the Western rearmament is prevented, the Soviets

likewise would have to be forced to de-escalate. A program of how to accomplish this, unfortunately, does not exist, and, what is worse, the people heading the peace movement evidently are giving no thought to this, be it because they cannot think "that far", be it because this would after all go directly against the interests of the peace advocates in the East. Be that as it may, it is clear that no initiatives and efforts can be expected from the East which would be directed toward the reduction and pacification of its own potential. This would require no less than the good will, the entire moral and intellectual force and honesty of the peace movement, which in this way would have to develop into and profess to be a frontier-crossing movement. Only then it would be revealed whether we in the peace movement are serious about our understanding, according to which we are no longer talking about ideologies, but about the question of the existence of nations, or whether some forces, states, parties and party followers still believe that they can, as in the past, exploit the fear of war and the longing for peace among the nations for their own egotistical purposes.

That is at the same time a question addressed to the self-comprehension of every individual. Last year the GDR writer Christa Wolf took cognizance of the warning of a conference of experts meeting in London, according to which Europe has only a survival chance of 3-4 years. Christa Wolf thereupon raised the question: "Can Europe, can we still be saved?" She answered: "No, probably not." And she added: "In that case, we. . . are permitted to take a few liberties after all. . ."

What is meant is: With respect to contradiction. In the meantime, another year has passed. What liberties are we taking? Christa Wolf, her colleagues in East and West, you and I we? Either the danger is not as great as we maintain, and in that case we are frivolous alarmists. Or it is so enormous, and then we fail miserably.

Actually I am surprised that, here as there, we are not yet in jail, where we would belong as real, serious prophets warning of the impending destruction of the world, prophets to be taken seriously.

That is the question which I am asking myself now: Does what I have brought together and have written down here really correspond to the exertion of all my powers, energies of perception, in other words--to my conviction? Did I overlook something somewhere, evaluate it incorrectly, did I base myself on incorrect information? No, I am afraid that, at least in the essentials, I have hit the nail on the head.

But then I am surprised that I am sitting so quietly on my chair. When, under the exertion of all my energies I ask myself again how it is possible that, in the face of the menacing death of the nation, the destruction of the European occidentals, which will probably entail the destruction of the Americans and Soviets, I remain so composed, imperturbed, tough and passive, if not dull and feeble, when I ask myself and try to answer my question completely truthfully, then I do not find that it is mere fear and cowardice which make me so passive. Indeed, I would be relieved if I had to confess that I am abstaining from any resistance because of pure fear of the reprisals of the powerful, I would breathe more freely if I had to answer: I am afraid of the scorn of the press

which is submissive to the government, I am trembling before the mud which they will dump on us, I don't want to be tried in court and put in jail...

No, these are not the true and deeper reasons why people like us have not put up more active resistance up to now.

Deep within us there smoulders a small fire of blasphemous satisfaction about the fact that it is now precisely the highly-cultured, highly-industrialized, highly-efficient and eager-to-perform Germans whose entire country is being automated under the callouses of their rear ends through American as well as Russian top-quality products of nuclear death. That, after all, has always been what, in the sweat of their ganglia, they have striven for--to be in the very front in terms of development. So now we stand in the very front for the last time, and the industrious egg-heads in the laboratories, offices and editorial offices, in turn, lead the way at the foremost front. Nothing but efficient armament, jubilation and smoke-screens: Victorious to the last mass grave, where the German reunification can take place because the death's heads cannot think of anything more intelligent.

We are in a bad fix. Deeply embedded in our hearts and brains is the absurdly crystal-clear idea that this world of ours is no longer worth saving. Something in this small self-comprehension probably keeps us from resistance against destruction. This united unites the advocates of armament with the advocates of disarmament--the fact that human civilization is no longer worth saving in their estimation. Thus the former are arming for nuclear death, and the latter are putting up merely symbolic-inactive resistance.

"I am also sickened by . . . of this great city. . . Here and there is nothing to improve or to make worse. Woe to this great city!--And would that I could already see the column of fire in which it shall be burnt!" (Frierich Nietzsche).

8970

CSO: 3620/322

## BRIEFS

EXTRADITION OF JORDANIAN TERRORIST--The five-member Piraeus Court of Appeals decided yesterday to extradite to Italy the Jordanian citizen, Al-Zomak Osam, 22, sought by Italian police as responsible for the bomb attack against a synagogue in Rome in October of last year. Osam had been arrested in the Evros region and explosive materials had been found in his car. He has not been tried yet for possession of explosives. [Text] [Athens TA NEA in Greek 29 Apr 83 p 3]

CSO: 3521/304

## AGUIRRE ON ETA, PROSPECTS FOR BASQUE PEACE

Madrid ABC in Spanish 14 Apr 83 p 25

[Commentary by Marcelino Oreja Aguirre: "The Peace Table"]

[Text] When the constitution was approved in 1978, many of us thought that the so-called "Basque problem," a very old problem with many misunderstandings and much stubbornness, was on the way to being solved. Today, 5 years later, after a great deal of effort, this old problem is still around and still provoking livelier and more intense debates than ever. From the position of one who has the deepest possible feeling for the matter, I would like to offer some thoughts born of my own experiences and of the very errors of government administration, from which I am now separated.

The public impact of the Basque problem, the treatment of it in the news media, is inevitably associated with terrorism, the eradication of which is undoubtedly the most important challenge to all those in government. But there are other problems, there are other views on the Basque matter, more or less linked to terrorism but which can be differentiated from it. It is those of which I want to speak in this article.

Above all, there is a problem of political compromise. It is indispensable that we know clearly and precisely what are the limits of the Basque aspirations to nationalism (on one hand) and the position the government is inclined to take toward those limits. One of the basic problems in handling the Basque problem has been, and still is, ambiguity, which leads only to a sterile dialogue of the deaf. It is necessary to compromise and refine the terms and the pretensions. But that settlement must be concrete, must deal with specific aspects.

The first question is the division of responsibilities in the fight against terrorism, between the State Security Forces and the Autonomous Police. Under normal circumstances, the Security Council of the Basque Country could be the proper body to divide functions and coordinate police actions. But unfortunately the circumstances are not normal, and the matter must be handled at the highest level. It is essential that the Autonomous Police take part in the struggle against terrorism, and it is essential to seek definite and practical formulas to achieve that without settling for ambiguous statements or the comfortable reference to legal texts.



The second question to answer is the relationship between the state government and that of the autonomous community itself. The mutualities, the distrust, cause ridiculous duplications, unnecessary expenses, administrative delays, which certainly are to the detriment and not the benefit of the Basque people. The civilian administration of the Basque Country should consider streamlining its structures, although this might be inconvenient for the ministers involved. It is necessary to relieve the autonomous government of some functions. But while that body continues to systematically play at side-stepping, being unaware, and disqualifying the state administration, avoiding dialogue, an administrative structure will continue to exist that is over-loaded with reference to the state administration.

A third point to be cleared up is the application of the economic agreement. It is impossible to go on indefinitely with the provisional share (actualized every year) that was negotiated hastily in 1980. It is necessary to set a definite share, upon honest and objective bases, for the Basque Country to contribute to the general expenses of the government. But in turn, the national government must seriously consider the consequences of depriving the Basque government of all capacity to decide on the budgetary items regarding the new investments. The expenditure in new investments must be transferred to the Basque Country. To do otherwise would go against a historical principle taken up by the current law on economic agreement, which grants the Basque Nation budgetary allocations in the areas of their competence.

Linked to this problem is that of the establishment of the Basque presence in the Interterritorial Compensation Fund. Naturally this is a mechanism for solidarity among the peoples of Spain. But it is no less true that the Basque system of economic agreement, derived directly from the constitution, demands a special treatment for the Basque Country, different from the other autonomous communities. Not everyone may like this, but it is in the constitution, and is one of the specific points by means of which the attempt is being made (by preparing the constitution) to resolve the Basque problem.

Another heading to note is the LOAPA, [Organic Harmonization Law of the Autonomous Process] independently of the decision the Constitutional Tribunal may hand down in its turn. We must retain (and make the Basque nationalists understand) one principle from this law: that in a complex government like the present one, coordination is essential, and administrative tasks cannot be separated into watertight compartments. This notion is compatible with the existence of exclusive domains of the Basque government. Nevertheless, the LOAPA is a problem we have been dragging into the whole autonomy process: an ambiguity which only prolongs the double readings, differences in the interpretation of the same texts, conflicts and suspicions. An ambiguous rule will not solve the problem. There must be negotiations on the subject of LOAPA (I repeat, independent of the decision the constitutional court may in its turn hand down, because the problem has a legal dimension and a political dimensions), and a specific and concrete agreement must be reached on its meaning.

In the transfer process, there are two major items still pending: university education and Social Security. Those are two more specific matters to be negotiated.

And finally, though I am unwilling to exhaust the subject, there is a problem no less serious for being hushed up. I am referring to the nuclear power plant Lemoniz, which is currently shut down, which is exactly what the ETA intended when it began its campaign against the plant. Lemoniz is vital for the Basque Country, the Basque people, and an agreement should be reached to permit it to be opened.

As you can see, there are many definite problems yet to be settled besides terrorism. The Basque government and the national government ought to state their respective positions (I repeat, very specifically, and not generically) and sit down around the negotiating table. The real "table" is what is lacking in the Basque Country, because that is what can solve the specific problems of the Basque people. And nobody should get up from that table until a definite agreement is reached on each of the subjects under discussion.

But no one is gathering around that table, and instead everyone talks in general terms, turns to the indifferent and disqualifying gesture, relieving tensions, perhaps with an eye to elections. Others of us have also fallen into those temptations (I cannot deny my own responsibility), but it is necessary to honestly admit that in the end nothing works to dispel the smoke clouds. The problems are still there. At least we respect the hopes of the Basque people (in small letters), of each of the Basque citizens.

Political settlement in the Basque Country is necessary, and I want to think it is still possible.

8587

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## STATE OIL FIRM, NESTE, STILL PONDERING LONG-RANGE POLICIES

Helsinki HELSINGIN SANOMAT in Finnish 24 Apr 83 p 40

[Article by Lauri Helve]

[Text] Neste Oy is an oil company. The oil industry is now in a crisis and that is why it is hard to be right as far as the industry's future is concerned. Jaakko Ihamuotila ought to be right because he is the general manager of Neste.

Only those who do not think things out say: There, I told you so! to the oil sheiks now that the price of oil is sinking. I instead am so bold as to say: There, I told you so! to all those nonsense spouters who were so enthusiastic over Finnish peat, for example. Those Centrists and to some extent others too were simply wrong. Peat has our permission to be and continue to be a nesting ground for cranes and other curlews for decades to come.

Before, when we spoke of the oil crisis in another way, there was a "shortage" of oil. Even then, I remember some oilmen's reminding us that it was not a question of there being no oil, rather a supply problem. We did not believe those voices.

Then came the coal hysteria. It was somewhat like the peat hysteria. Even cool Neste lost its cool, but apparently private industry most lost its cool. Now they have mountains of dearly-bought coal even though it would be appropriate to burn cheap oil.

Like a flock of ducks, our country's band of energy policy-makers charged into the fray: Oil burners that worked fine were taken to the dump and people at high cost swiithed to burning peat, chips or coal. The state disbursed enormous sums of money to wrap houses in bearskins or rock wool and switch to the new form of energy. The smartest thing would have been to just wrap the old oil burners in wool and adjust and clean up the equipment. Finns want to conserve energy, no matter what the cost.

So Neste has gone through a crisis. Its managers have had to make far-reaching, difficult and above all costly decisions. Last year nearly 900 million was invested.

These were decisions such that on the basis of them it has in time been judged what sort of man Jaakko Ihamuotila really is. It was he who made far-reaching decisions at the time under the cover of Olavi J. Mattila at Valmetti. Valmetti's affairs are now common knowledge, but only some of the decisions are attributable to Ihamuotila.

Now Ihamuotila has gotten Neste into coal, shipping, trading, extended processing of plastics, the battery industry, etc.

The firm's progress into the coal business has been brisk. There would have to be wonderworkers at Neste if the company is to recover the money it has invested in the coal port of Skoldvik by selling coal. They will not succeed.

Neste has spent quite a lot on ships. Only an immensely rich state company can make purchases like that. The other partner in the plastic hose business, Askö-Upps, is on its knees. What will come of that deal? And how is it possible for them in Finland to acquire information to the effect, for example, that the shaky operations of the Swedish Tudor and Danish Lyac battery factories, both breathing their last, could be made profitable?

If Neste's business deals are ever carefully sorted out and examined as to which were profitable and which were not, then Ihamuotila can be judged. It is the responsibility of the auditors.

Let us only hope that years from now the auditors do not raise the same objections to Neste's deals as they are now doing with regard to Enso. Pror Wahlroos is in fact not a Neste auditor, but a member of the board of directors — that is, an associate, as he was before at Valmetti.

But if Ihamuotila straightens out everything, he will be a hard man to beat. Tougher than many of his colleagues elsewhere in the world.

#### Responsibility Is Divided

Neste has changed its organization in the direction of production unit management. Uolevi Raade was certainly terrified that this would happen. His policy was just the opposite: One man manages everything and bears the responsibility for everything. Now Ihamuotila has divided the responsibility up throughout the whole organization. Hopefully, however, not as much as at Valmetti, where the plants were run so independently that the real managers could not keep up with them.

And how did Neste do last year? As far as cash flow is concerned, 1982 was a bit worse than the preceding year. But the 269 million on line 6 is no mean achievement. The springboard, line 1, was exceptionally high.

The slight drop in Neste's yield can be traced right back to the beginning of our calculation. While for 1981 line 3 shows 6.7 percent of sales income, the corresponding figure for 1982 was only 4.3 percent. Nevertheless, there was still a capital gain of 8 percent.

For its owner, the state, Neste has been a piece of property somewhat like a piggy bank. After the initial investments, it did not have to invest any more in it. But it did not get overly much back from it either. Neste has invested with its own income funds and by contracting debts. Protected by its earlier strong position, it has been able to safeguard its moderately sound financial stability as well as its ability to meet its payments on time. Now both of these are needed.

### Energy Policy Works Against Neste

It may be that the owner too is beginning to expect a bit larger share of the profits, although the owner has maintained a low profile.

Neste's capital stock is only less than 2 percent of the total balance. When this 2 percent is divided up to pay a 9-percent dividend, it is pretty small, considering the total amount.

I can well understand Jaakko Ihamuotila's bitterness toward an energy policy that favors electricity. Who is concerned over Neste? The nation's top energy official, Erkki Vaarakki, is on the Imatran Voima [Imatra Power Company] board of directors. An awfully heavy tax is levied on oil products, while the tax on electricity is not worth mentioning. The government sets prices on oil products, but not on electricity. And so on.

Neste's annual report has been allowed to develop into more and more of an epic narrative.

<u>Neste Oy</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
1. Sales income	6,189	6,567	8,592	13,432	16,313	17,172
2. Material, supply, wage, et al expenses	-5,883	-5,746	-8,508	-13,030	-15,217	-16,432
3. Remaining income	+306	+821	+84	+402	+1,096	+740
4. Other income and expenses	-62	+33	+146	+70	-84	+105
5. Interest, taxes and dividends	-224	-267	-431	-519	-670	-576
6. Remaining income	+20	+589	-201	-47	+342	+269
7. Investments	-208	-744	-384	-505	-694	-826
8. Remaining income/ funding needs	-188	-157	-585	-552	-352	-557
9. Increase/decrease in cash & accounts receivable	-88	-91	-579	-333	-642	+319
10. Increase/decrease in short-term debts	+76	-232	+1,117	+910	+491	-255
11. Increase/decrease in long-term debts	+198	+480	+47	-25	+503	+493
12. Increase in own capital	—	—	—	—	—	—

11,466

CSO: 3617/115

## GOUX URGES CHANGES IN EMS, CAP, FRENCH-GERMAN RELATIONS

Paris LE MONDE in French 27 Apr 83 pp 1,9

[Article by Christian Goux, Socialist deputy from Var, chairman of the National Assembly finance commission: "Neither Alignment nor Isolation"]

[Text] Is the crisis so grave as to challenge the wisdom of building Europe, and specifically Franco-German relations?

If it is to preserve its economic and financial independence, without which any independence becomes a hollow word, must our country admit to being less European?

Is our highest political goal, that of peace and amity, to be made thrall to the pitiless law of the economic interests involved in an implacable trade war that leaves no choice but to conquer or to surrender?

To these questions, I should like to offer my answer: neither alignment nor isolation is an acceptable solution. Each country in today's world must perforce work toward the common interest while expecting and demanding that the others do likewise. We must also take a new look at our Community institutions, because they must not be used today for purposes incompatible with those for which they were created. Taking this statement of the problem as a frame of reference, France has 2 years to bring its inflation rate into line with that of Germany. In return, however, Germany must get its economy moving again, because German austerity policy, if continued, would be the worst possible form of protectionism for Europe, and particularly for France.

By narrowing the gap that separates us from Germany and the other European nations, we shall remove the persistent threat of devaluation that hangs over our currency. We all know that, when it comes to exchange rates, the changers have their eyes glued to three barometers: the inflationary differentials, balances of payments, and interest-rate differentials. An inflation rate close to that of Germany in the years ahead is vital if we are not to see our currency skid again as it has in the past: let's

bear it in mind that a mark was worth a franc in 1958, but brings 3 francs now.

Were this leaching of value to continue, it would end with a Europe dominated by the deutschmark. The inevitable consequence would be a sequence of intolerable domination which, by definition, would not be tolerated. The ensuing rupture would trigger an explosion with incalculable political consequences.

However, while it is necessary for us to act in this area, it is equally necessary to make it clear to our partners, who have profited greatly by the recovery of our economy, that we shall be obliged to cut back our imports to the precise extent that their growth rates fail to rise. Heating up the German economy again would make it possible, by providing an outlet for French exports, to go a good distance in the direction of restoring our trade balance, and thus would allow France to implement import policy more gradually and less abruptly. By failing to do so, by arguing that all that counts in international trade is competition and price, by leaving France to deal all alone with the necessary restoration of balance, Germany would be running a risk out of all proportion with the risk involved in a moderate acceleration of its economy.

Above and beyond whatever action is taken by individual countries, which should tend toward general recovery, the present state of affairs calls upon us to do some thinking about the operation of two of our Community institutions, one of them new -- the European Monetary System, and the other a bit older -- our Community Agricultural Policy.

When in 1978 we established a zone of stability for exchange rates among European currencies, the reasoning adopted ran like this: the floating exchange rates since 1973 have been to a very large degree unstable rates, and experience has not produced the touted virtues of equilibrium which some advocates had prophesied. And so it became necessary to do something about these serious flaws. For that matter, how could one not agree on that score, when each passing day brought ominous upheavals in response to the erratic fluctuations of the dollar? Behind that visible face, though, was a hidden aim: to bring structures and policies into convergence. Fine, except that, in view of economic and financial reality, the only way to do that, without clearly defined rules of the game, is simply to let the strongest player be the umpire.

The upshot is that, after 4 years of life, the total absence of Community policy on the dollar -- contrary to the provisions of the European Council's 5 December 1978 resolution -- power has been tacitly delegated to the strongest player, which is Germany, which handles the problem according to agreements reached with the American government.



This state of affairs cannot continue. We saw that during the March currency shifts. What matters to France, you see, is to be part of a system of fixed or stable parities, including the dollar, rather than being bound to the mark, which floats like a Cartesian devil in response to pressure from interests alien to us. Without establishment of a real international monetary system, to which President Mitterrand attaches very great importance, the European Monetary System may well bring us more harm than good in the future.

The other issue is that of Community farm policy. Everybody knows that the sole purpose of the offset machinery is to restore price uniformity by removing the disparity between the green and real exchange rates. This machinery has profoundly affected production and competition conditions within the Community. In view of the distortions it has given rise to, it is now clearly in conflict with three of the EEC's basic principles:

1. The principle of specialization, which aims at achieving the best possible allocation of resources among member nations, is no longer observed: some countries have turned toward speculation which natural conditions did not encourage, but which the new financial conditions make feasible;
2. The rules for competition among the EEC countries are skewed. The Monetary Compensation Sums (MCMs) equalize prices for "finished" products, while intermediate consumption items (fertilizer, cattle-feed) are subject to uncorrected exchange rates;
3. Finally, by subsidizing agriculture in the countries with strong currencies and penalizing the farmers in weak-currency countries, the MCMs emerge as what they really are: customs duties levied in violation of the essential principle of customs union among the EEC countries.

For 10 years, now, France has been playing the European card wrong. French agriculture has fallen behind that in other EEC countries, especially in livestock production. The invention of the Green pound has turned against this country. It is time we took the initiative once again and put an end to the MCM machinery. Like the currency issue, this one concerns Europe's very survival.

By stoking up their economies, by making our institutions work as they were designed to work, the European countries would be setting the example for coordinated action. This is the way to reach the essential goal: jobs.

In a speech delivered on 20 January 1983, marking the 20th anniversary of the Franco-German treaty of cooperation, President Mitterrand said:

"The first priority is a program to stamp out unemployment, that is eating away at our societies. Europe has no future if its young people have no hope." He was showing us a map of the road France has chosen.

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CS0: 3519/471

## INDUSTRIAL POLICY IN WALLONIA DISCUSSED

Paris CONTREPOINT in French No 42-43, 1983 pp 99-111

[Article by Francois-Xavier De Donnea, professor at the Catholic University of Louvain and member of the Walloon Regional Economic Council: "Industrial Policy in Wallonia: How To Get Away from the 'Grand Illusion'?" ]

[Text] 1. Illusion of Action

Since the beginning of the crisis, the national authorities and the Walloon officials have taken a large number of measures in matters of industrial policy which have only given the illusion of action. At the same time they took measures in a certain number of areas which are not strictly speaking matters of industrial policy, but which have an indirect impact on entrepreneurial and investment decisions (taxation, social security...), which distinguish themselves by their perverse and demobilizing effects. Measures which would really help company managers and stimulate the people's enthusiasm for work were taken only very rarely. Moreover, it emerges from speeches on industrial policy made by all kinds of pressure groups and "experts" on the matter, that a great number of illusions exist among the public, but also among the administrative staff of certain parties and pressure groups about the authorities' room to maneuver in a very small open economy like that of Wallonia.

Hence, in matters of industrial policy Wallonia has been immersed in the "grand illusion" for 10 years, if not totally immersed in myths! The current economic stagnation proves it.

In the following pages, we will try to define what needs to be done to go from myth to reality. We will start by recalling the constraints which the officials of a small open economy cannot escape. Next, we will identify a few of the myths which are specifically the result of the refusal to take these constraints into account. Finally, we will define a concrete action program likely to further the reindustrialization of Wallonia.

2. Constraints

The Belgian authorities, and the Walloon regional authorities in particular, are far from being all powerful in matters of industrial expansion. They are first of all subject to a series of constraints inherent to the nature of a small open economy. It is too often forgotten that the gross national product of Wallonia represents only 1.4 percent of the gross domestic product of the



Community, while its population represents only 1.24 percent of the population of the Common Market. In terms of population, Wallonia represents one-third of the region of Paris or of New York, and only one-sixth of the Tokyo Bay area. Being very small, we obviously cannot produce everything ourselves. The value of our imports is equivalent to half of our product. Our exports include approximately 40 percent of imported products.

The very open character and small size of the Walloon economy have the following consequences for the degrees of freedom of our industrial policy.

First of all, the consequence of our marginal propensity to import, which is very high, is that the multipliers of public expenditures and investments are very weak. Aside from the sorry state of our public finances, the low level of these multipliers has remarkably limited the scope of a Keynesian policy for the recovery of domestic demand in Belgium, a fortiori in Wallonia.

Secondly, the evolution of our interest rates is largely dominated by the level of interest rates in the industrialized countries, and specifically in the United States. This de facto situation severely limits the room for maneuver in a monetary recovery policy. It makes an inexpensive unilateral regional credit policy impossible.

Thirdly, taking into account the share of imported products in the cost price of our exports and the automatic wage indexing, a policy of devaluation of the Belgian franc can only be fleetingly effective.

Fourthly, given the interdependence of the European economies and the scope of the challenge addressed to us by the newly industrialized countries, a series of questions relative to industrial restructuring will find a solution only within the framework of a common European action. Let us think, specifically, of the examples of the steel industry and of the automobile industry.

The regional authorities are doomed to suffer these constraints related to the small size and the open character of our economy. On the other hand, they have the opportunity and the duty to do everything in their power, without further delay, to break out of the second set of constraints which are the result of the deterioration of our institutions and of our bad management of the prosperity of the sixties.

Government instability is the first constraint of this kind. It makes any long term management of the region impossible. It furthers demagoguery at all levels.

Secondly, the ever more generalized and insidious politicization of the public administration, the parastatal organizations with an economic role, and even companies in which there is substantial state participation, constitutes an ever more serious constraint on the effectiveness of a number of functions which the region claims to be able to take on. The result is that the state and the regions are no longer able to perform various functions properly, which are handled effectively by the authorities in some foreign countries.

Thirdly, the role which the authorities have the ambition to play in matters of industrial policy is limited by the catastrophic deficit in public finances. By exercising a growing pressure on interest rates, the public finance deficit makes an inexpensive credit policy even more illusory. It also makes the development of public industrial initiatives on a significant scale utopian. Finally, the explosion of expenditures has generated such a high tax pressure on enterprises and on individuals that it discourages economic initiatives and enthusiasm for work, while furthering the development of a parallel economy.

Fourthly, the distribution of authority between the state and the regions is the fruit of a shaky compromise. Too often, this results in a lengthening of the decision making processes and in paralyzing conflicts of authority.

An in depth reorganization of public finances at the national, regional and local levels unquestionably constitutes a basic condition for and prerequisite to the economic recovery of the region. Let us note, however, that even if our public finances were reorganized, our financial area would not be on the same level as that of our big neighbors. Hence, their strategies have only a limited value as examples for Wallonia. It will have to develop its own industrial policy.

### 3. Myths

For lack of new enterprises, Wallonia generates myths. Fortunately, all of them have not yet reached the same level of development. Some have been embodied in new institutions, others still appear only in speech. We will limit ourselves to describing four of them in the following pages.

#### 3.1. Public Industrial Institutions

Since the end of the sixties, many people had, in good faith, placed all their hopes in public industrial initiatives to stop the de-industrialization of Wallonia. Hence, the authorities developed a set of bodies, both at the national (OP [expansion unknown], SNI [National Investment Company]) and the regional level (SDR [Regional Development Company], SRI [Regional Investment Company]), in order to develop public industrial initiatives.

Rather than tackling the basic causes of the de-industrialization of the region, they believed, or pretended to believe, that it was enough to create public mini-copies of the large private holding companies to solve the problem. They forgot that these public institutions would come up against the same basic constraints that their private models did, as long as the real obstacles to the re-industrialization of the region have not been eliminated.

Furthermore, an effective interventionist policy at the micro-economic level and the creation of public enterprises assume that the authorities have a permanent frame of reference at their disposal, which tells them which activities have a future. In other words, such a policy requires that the government and its officials be better informed about developments in technology and about international markets than decentralized private businesses. But, in a free market economy, where the future is uncertain, it is impossible to

determine in detail, at the level of a centralized organization, those branches and a fortiori the specific industrial products which have the best prospects. The mass of data to be gathered is such that an army of bureaucrats would not be sufficient. Furthermore, why would civil servants be better informed than industrialists, who are in daily contact with the markets and who have an intimate knowledge of the technologies peculiar to their field? Enlightened civil servants will be able, at most, to draw up well known lists, in very general terms, of promising categories of activities. Thus, they will provide the government with information which is well known to competent businesses. Whether we want it or not, the task of discovering the most promising concrete activities and products will remain the prerogative of private entrepreneurs, endowed with imagination and financially motivated.

Hence, it was inevitable that the institutions set up in Belgium to develop public industrial initiatives acted more as investment banks, buying shares in existing businesses, which were alas too often shaky, rather than as real entrepreneurs, creators of new businesses producing new products. This is the basic explanation for the difficulties which public industrial initiatives have encountered in Wallonia. They also come up against this difficulty in other countries.

However, the evolution of our political practices also places a heavy mortgage on the action of our authorities in matters of industrial initiative. The growing politicization of governmental and semi-governmental bodies charged with the conception and implementation of the industrial policy has resulted, in numerous cases, in political allegiance supplanting competence as a criterion for appointment and promotion of personnel. Thus, the managers of public or mixed businesses do not always have the independence required to guarantee their success, as they do in other countries.

Finally, the government does not have the financial resources needed for the interventionist industrial policy it has the pretention to conduct. To create a new job, you actually have to invest 4 to 5 million Belgian francs. Thus, to create as many as 100,000 new jobs, the Walloon authorities would have to invest 400 to 500 billion Belgian francs, or approximately half of the gross regional product. Where are they going to find it?

Hence, by wanting to be an actor at the micro-economic or industrial level, the authorities are currently pursuing a myth.

### 3.2. Contractual Planning

To believe that it is possible more or less rigidly to plan the economic future of a very small open economy falls within the province of utopia. The evolution of economic growth and of the economic structures in Belgium, and a fortiori in Wallonia, depend as much if not more on the economic policy decisions made by the large industrial countries as those made by our authorities. In addition, we have seen that the authorities were badly equipped to detect the openings and the products of the future. Hence, it is extremely dangerous to reserve the aid of the authorities for those businesses alone which would agree to attain the objectives of a plan, which is not guaranteed to succeed. Furthermore, contractual planning of this kind would require an

extremely expensive bureaucratic machinery, which runs the high risk of quickly falling into politicization and arbitrariness.

This does not mean that no form of planning at the regional level is necessary at all. But we need something different from normative plans submitted to a long and paralyzing approval procedure. The Planning Bureau should, following the example of its Japanese counterparts, periodically develop visions of the future of the regional economy. Thus, it would carry out an essential task of analysis and of macro-economic forecasts, which would lead to the publication of scenarios stressing the limits and consequences of alternative policies.

### 3.3. Regionalization of Credit

To believe that the regionalization of public credit institutions will have a significant effect on industrial initiatives in Wallonia is also naive. It is not the lack of financial resources, but the lack of projects which explains the progressive de-industrialization of the region. It is true that, at the present time, the exceptionally high level of interest rates discourages certain industrial projects. But this is true of the Common Market countries as a whole. The high interest rates which currently prevail have two basic causes. The first, which is beyond our control, is the monetary policy conducted by large countries to fight inflation. The second, which depends on us, is the growing imbalance between domestic savings and the financing needs of private individuals, businesses and the state. It will be possible to reduce our real interest rates to the level prevailing among our major competitors only by re-establishing the competitiveness of our economy and by reducing the public finance deficit.

Hence, it is not the regionalization of the public credit organizations which will make it possible to reduce the cost of credit in Wallonia. As a matter of fact, the new regional institutions will have to find money on the same financial markets as the current national institutions. It is even probable that their smaller size will limit their credit and their option of access to certain sources of finance.

### 3.4. Withdrawal into Oneself and Protectionism

Some people claim that we attach too much importance to the promotion of exports in our country. They think that an energetic policy of development of services and of public infrastructures would have significant repercussions on economic activity and on employment, while responding to social and cultural needs of the people, which are not being satisfied. This theory elicits the following remarks, however.

First of all, in order to survive Wallonia is forced to import virtually all of its raw materials and its energy. Its small size also makes the importation of a wide range of manufactured products inevitable. Hence, in order to survive decently it will always have to export a rather substantial quantity of goods.

Secondly, the development of infrastructure and of public services will have to be financed by the authorities. Even if jobless individuals are put to work there, the difference between their unemployment benefits and their salaries will have to be financed. The state of public finances does not allow one to see vast possibilities in the matter.

Still in the context of withdrawal into oneself, some people might be tempted to advocate protectionist policies to protect us against foreign competition. Let us recall that such a policy must be decided on at the EEC level. But we cannot hope to find salvation in a community policy aimed at protecting the existing sectors, unless perhaps in the very short term for one branch of activity or another threatened by the new international division of labor. As a matter of fact, 72 percent of Belgian exports are directed toward Common Market countries. Furthermore, the development of protectionist policies toward third countries could, in time, lead to measures of retaliation which would limit our export opportunities outside the European Economic Community. Finally, by weakening competition, such a policy would reduce even further the effectiveness of our productive machinery and, consequently, our standard of living, even if it allowed us artificially to maintain a minimum level of employment in a few threatened sectors.

Thus we must also reject the myth of withdrawal into ourselves.

#### 4. Realities

##### 4.1. Facts of the Problem

What are the fundamental reasons for the illness we are suffering from?

Our difficulties are rooted in the prosperity of the sixties. We have managed this prosperity badly. As a matter of fact, we have skimmed off the growth product, and specifically the profit of the enterprises, to the benefit of consumption. We have not invested enough in applied research, in the development of new products and in the transformation of our industrial structures. Next, we have very badly managed the crisis since 1975, by favoring a whole set of institutional and bureaucratic measures. They were not very effective. The sorry state of our economy today testifies to that. But they substantially increased the public finance deficit and taxation, they progressively politicized a growing part of our production machinery and, consequently, they discouraged a whole range of individual dynamism. Businesses, the unions, the authorities, in brief all Belgians share in the responsibility for these errors.

What should be done now to get out of it?

First of all, the Walloons should be encouraged once again to develop ideas and projects.

Secondly, one should proceed in such a way that the Walloons, but also other potential investors, will once again feel like carrying out their projects in Wallonia.



Hence, the authorities must implement an economic and industrial policy aimed primarily at:

- stimulating technological innovation in the existing enterprises;
- rewarding success and effort in order to restore the attraction of work and to promote the spirit of enterprise and the taste for risks;
- restoring the profitability and self-financing capability of the enterprises.

Let us be absolutely clear. A basic condition for the economic renewal of Belgium and of Wallonia is for individuals who are hard-working, dynamic and who have new ideas, to be able once again to earn money there. To deny this reality is to indulge in naive otherworldliness.

Hence, the economic recovery of the region involves a reduction of the burdens which weigh on businesses, as well as the development of new products, the search for new markets and the improvement of the quality of management. Having determined these general conditions, which depend specifically on the national authorities, the regional authorities must implement the following concrete strategies.

#### 4.2. Stimulation of Technological Research

The only technological research policy likely to be effective in the long term is one which aims at strengthening applied research within the businesses themselves. As a matter of fact, the research must be conceived in terms of the evolution of markets if we want it to lead to marketable products. And the businesses, which are in daily contact with the markets, will generally be much better informed about the evolution of demand than the civil servants in public research centers, which some people want to develop or set up. Furthermore, public research centers enjoy de facto job stability. They cannot guarantee the mobility of researchers toward production units either. Hence, the risk that these institutions will become obsolete and ossified is not illusory.\*

In order to stimulate applied technological research in businesses, the following specific measures must be taken:

- Emphasis should be placed on tax incentives for research-development, by allowing businesses to build up substantial tax-free reserves, proportionate to their research-development expenses. One has to go much further in the matter than the decisions recently made by the government;
- The state must establish "research-supply" contracts with its major suppliers of sophisticated equipment, within the framework of a more dynamic government purchasing policy.\*\*

\* F.X. de Donnea, "Recherche technologique et politique industrielle: quelques réflexions" [Technological Research and Industrial Policy: a Few Thoughts], ANNALES DE SCIENCES ECONOMIQUES APPLIQUEES, Vol 34, No 3, 1978.

\*\* On this question, see specifically: Union of Walloon Enterprises and Walloon Alliance of the Middle Classes, "Investir en Wallonie" [To Invest in Wallonia], April 1980.

#### 4.3. Reform of Economic Expansion Laws

The review of the expansion laws must be based on a very clear distinction between, on the one hand, the measures to adopt relative to businesses in trouble and, on the other hand, the measures likely to further the creation and expansion of healthy businesses.

As far as healthy businesses are concerned, the surveys and economic studies show that the existing aid does not play a determining role in the decision to invest. The Belgian system of bonuses and subsidies has the following disadvantages:

- it is costly to administer, both for the authorities and the businesses;
- the subsidies are often distributed on the basis of very arbitrary and not very selective criteria;
- the subsidies do not always go as a matter of priority to the most dynamic businesses;
- the system of interest rebates, which was widely practiced, furthered the use of loans, rather than one's own funds, to finance investment projects which receive aid. This practice may have contributed to the unbalancing of the financial structure of some businesses;
- interest rebates and capital bonuses are not neutral in terms of the allocation of the business's resources, because they reduce the relative cost of the capital factor in relation to the labor factor;
- delays in the payment of awarded bonuses are often very substantial and thus they noticeably reduce the real advantages the businesses get out of them.

Consequently, aid to healthy businesses and to the creation of new businesses should henceforth be based primarily on a system of selective financial tax incentives aimed at stimulating investments, exports and research-development. To be effective, these tax incentives should, however, be significant, be based on simple criteria, without complex selective conditions, and be permanent, in order to permit economic calculations in the medium and long term.

#### 4.4. Adoption of Rigorous Policy Toward Businesses in Trouble

The attitude of the regional authorities toward businesses in trouble must be based on the following principle. One must promote the adaptation of our industrial structures more rapidly than in the past by not keeping doomed businesses artificially alive, but at the same time by absorbing the social cost of the closing of businesses.

In order to prevent people from investing in doomed businesses, state intervention must be subordinated to the simultaneous meeting of the following conditions:

- the business must be capable of presenting a strategic recovery plan including precise deadlines. This plan must be checked by experts who are independent of the state and the business;
- private partners must agree to inject sufficient funds into the business;

- state aid will be suspended if the recovery plan is not implemented or if, during implementation, it proves to be inapplicable;
- state aid will also be suspended if it turns out that it causes imbalances in competition within the sector in question.

In order to absorb the social cost of the closing of businesses which do not meet the above mentioned conditions, the authorities must finance the following measures in case of closure:

- payment of full salary for 1 year to the unemployed personnel who agree to retrain;
- financing of the retraining of the personnel of the business;
- payment of financial and administrative aid to those employees who want to set up a business or participate in its creation.

#### 4.5. Realistic Policy for Public Industrial Initiatives

For reasons we have mentioned above, one should not expect miracles from public industrial initiatives in Wallonia.

However, as they exist, it is indispensable that the institutions responsible for public industrial initiatives in Wallonia play their role as effectively as possible. In order to prevent the deterioration of businesses with state participation, it is indispensable:

- that the authorities specify their objectives within the framework of a strategic development plan for the business concerned;
- that the private sector maintain adequate participation and financial responsibility in them so that it will have a major interest in ensuring strict management;
- that the public administrators have the same responsibility as the private administrators, within the framework of the laws governing commercial companies.

#### 4.6. Better Organization for Better Results\*

Wallonia lags behind in the area of foreign trade. The share of Wallonia in foreign deliveries by the kingdom went from 33.3 percent in 1966 to 25.6 percent in 1976 (last figure available!).

Basically, improving this situation requires that the Walloons once again give their economy adequate comparative advantages. In other words, they have to redirect their industrial structures toward the production of goods and services for which they will offer the best quality-price relationship. Indeed, no public policy for foreign trade, however good it may be, will be able to compensate for the weaknesses of production which is too expensive or which no longer offers anything but products for which the demand is declining.

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\* For a more detailed statement on measures to be taken, see Union of Walloon Enterprises, "Mieux s'organiser pour mieux exporter" [Better Organization for Better Exports], June 1981.



Thus, the major part of the effort needed for the recovery of our foreign trade must be made within the businesses themselves. This assumes a more sophisticated commercial approach, a more pronounced opening toward the outside world, the learning of languages, a more dynamic use of all of the resources offered by the authorities, the professional organizations and all the institutions promoting foreign trade.

Even though it is an auxiliary one, the role of the authorities is no less important in matters of foreign trade. In this context, we would like to make the following remarks:

- The businesses will not get anywhere if the authorities do not give them maximum help in reducing all the burdens weighing on them;
- Any selective policy for foreign trade must be conducted with caution. The state must maintain close contact with the enterprises to select the sectors, products or countries to which it wants to give priority. Finally, a policy of "target" products or countries should not penalize either more traditional products or those businesses which have business opportunities on markets other than those considered as having priority by the authorities;
- One should promote rather than put a break on the multinationalization of Walloon businesses and encourage them to set up commercial and/or industrial subsidiaries abroad. Experience shows that those Belgian enterprises which have expanded abroad are often the ones which do quite well in terms of exports. Consequently, taxation should not be an obstacle to the mobility of people needed to represent companies abroad. Furthermore, the benefit of the tax-free investment reserves should be extended to investments abroad in order to promote exports;
- A regional decentralization of certain OBCE [Belgian Foreign Trade Office] activities should be achieved as quickly as possible. It should be more like the Office of Chambers of Commerce and Industry;
- The authorities should encourage the establishment in Wallonia of export companies inspired by the trading companies or international trade companies which fulfil a substantial role in countries such as Japan (the famous "sogo-shosha")\*, Great Britain, France, the Netherlands... It is also urgent that companies be given the opportunity to set up economic interest groups;
- Finally, it is not by multiplying regional public bodies in the area of foreign trade that Walloon exports will be furthered. However, we should ensure an equitable operation to the national bodies from the point of view of legitimate regional interests.

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\* See F.X. de Donnea, "Mais qui 'roule' pour les Japonais?" [But Who "Moves" for the Japanese?], LE SOIR, 13 May 1981.

#### 4.7. Identification and Elimination of Obstacles to Economic Initiatives

The industrial policy is at the confluence of the traditional or explicit economic policy and a set of policies which, strictly speaking, do not concern the economy, but which have an extremely important direct or implicit impact on economic initiatives. Let us consider specifically the social policy (social legislation, social security), the policies for education and research, for the environment, for regional planning and infrastructure, for energy... It is essential that, in all these areas, the authorities identify and eliminate all mechanisms or practices which are in fact obstacles to economic initiatives and to the expansion of existing enterprises. We will give only four examples here, which in no way exhaust the subject.\*

First of all, some local tax mechanisms or their interpretation in certain municipalities (apportionment or compensatory taxes to Tihange or Seneffe, for example) totally contradict the spirit of the laws on economic expansion. In fact, they allow municipalities to tax employment!

Secondly, the current rules in matters of giving notice to employees are a major obstacle to the expansion of employment in a large number of companies. The latter give up the idea of increasing their personnel when business is doing well, for fear of not being able to reduce in case of a drop in orders, without making ruinous termination payments. Such rules destroy employment, whereas they were meant to protect the employees.

Thirdly, in some sub-regions of Wallonia it is increasingly difficult to find personnel with certain kinds of qualifications. Thus, for example, mechanics are in increasingly short supply in the region of Liege. This situation reflects a growing imbalance between the quality of manpower demanded and the quality of manpower available. It is urgent to take the necessary measures at the level of education to remedy this situation.

Fourthly, numerous companies complain that they are not able to find qualified cadres who know English and who are willing to leave their country in order to handle their business abroad. This situation is particularly worrisome at a time when the economy is more rapidly turning into a world economy. Hence, it is essential to strengthen the place of foreign languages in secondary, technical and university education.

#### 5. Conclusions

Unfortunately, there is no miracle cure or push-button solution to check the de-industrialization of Wallonia and to begin its recovery. The deterioration of the situation is such that it will, indeed, be a long and exacting job, which will stretch on over this whole decade.

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\* For other examples, see specifically: F.X. de Donnea, "Quelle politique industrielle en Belgique?" [What Industrial Policy in Belgium?], REFLETS ET PERSPECTIVES DE LA VIE ECONOMIQUE, 1981, No 1.

The technical measures we have advocated above are necessary conditions to the recovery of the region. However, these conditions are not sufficient. As a matter of fact, they will bear fruit only to the extent that they are taken within the framework of a new social consensus. To this effect, the workers must realize that the sacrifices which are demanded of them in the short term will effectively contribute to guaranteeing their job in the long term.

To this effect, three specific measures must be taken.

First of all, the authorities must encourage company reform which improves the dialogue and restores confidence between employers and workers. To this effect, the formulas to be adopted must enable the development of collaboration at all levels of the company and not only at the management or board of directors level. This essentially assumes a distribution of responsibilities at the level where each individual feels he is competent and concerned. In this spirit, Walloon companies would undoubtedly have a great deal to learn from the Japanese formula of quality control circles.\* Such a reform must obviously be accompanied by a permanent training effort at all levels of competency and responsibility.

Secondly, the state must see to it that the social security system really protects individuals in need (the low income retired, invalids, the sick) and that it distributes the weight of the crisis between the working people and the jobless. But it must fight the abuses of the system. It must also restore a sufficient gap between work remuneration and replacement income. As a matter of fact, it must eliminate the mechanisms which demobilize some of the workers, encourage absenteeism in the companies, constitute a break on professional mobility and smother the taste for risks.

Thirdly, one must develop a massive campaign to inform the workers about the real facts of the Walloon economy. In this spirit, the authorities must see to it that the media, which they control, mobilize public opinion around common objectives instead of dividing and demobilizing it.

It is only under those conditions that all the vital forces of the region will be able to reach an agreement on a therapy which will guarantee its economic recovery in the long term interest of all, even if the necessary measures are often painful in the short term.

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\* The "Jishu Kanri" or "small autonomous groups."

## CDU'S BLUEM ON UNEMPLOYMENT, PENSIONS, BUDGET CUTS

Hamburg DIE ZEIT in German 1 Apr 83 p 17, 19

[ZEIT interview by Michael Jungblut and Dieter Piel with Labor Minister Norbert Blum on cuts in the social budget: "My name is Blum--not Hercules."]

[Text] Question: In no other area have the coalition talks had such concrete results as in the field of social policies. However, it is only a matter of cutbacks. It appears as if Norbert Blum was destined to be the first minister for labor and social affairs in the Federal Republic who does not distribute benefits, but rather collects them. Do you see yourself as the manager of the "Social Dismantlement" department of this government?

Answer: Well, if a social policy does not have more to offer than the alternative between collecting and spending, then it is a poor policy. I have never considered that social policy to be best which reports the highest spending. It would also be illogical to claim that a social state is then at its best when the share of social expenditures is highest in proportion to total economic performance--because then the expenditures due to high unemployment would have to be a proof of quality. Full employment is cheaper and more beneficial. I would like to demonstrate the differences between us and the opposition not only in terms of marks and pennings, but also in the different ideas on how the world should look.

Question: You do not see social policy as the loser in the coalition agreements?

Answer: I do not claim that a social policy which spends no money is the best. But limited funds force us to pay closer attention to where the money is coming from, and where it goes. There are sufficient reasons for the supposition that a part of the social benefit recipients are paying for them, themselves. Thus citizens become petitioners unto themselves.

Question: Do you want to redefine the concept of neediness?

Answer: I do not accept [the idea] that social policy deals only with neediness. In the case of social pension insurance, for instance, it is not a question of charity, but of justice. Performance is balanced by counter-performance. Wherever there is room within social policy for this principle, it must be utilized. Charity begins only when justice is at the end of its tether.

Question: The coalition plans to reduce public expenditures by DM 40 billion by 1986. The intensive occupation with subjects of social policy suggests that assumption that most of the cuts are to be made in your area of responsibility.

Answer: If you wish to understand all national transfers of effects as social benefits--which includes subsidies--then this may hold true. There is abuse not only in the benefits for the working population.

Question: But the willingness to make cuts in the social affairs area was evidently greater than in the public service sector, for instance, and greater than it will be in the case of tax concessions.

Answer: I am ready, without reservations, to participate in the search for areas which can be cut. I only balk if this is to become the special task of social policy.

Question: What does that mean in concrete terms?

Answer: It must be thought out whether the old-age security system cannot be better adjusted to economic developments. But for this test of courage, social pension insurance is not the only testing ground available. I should also like to ask for courage in examining which sacred cows in the public service sector are to be slaughtered....

Question: ...including old-age security?

Answer: Yes. There are old-age retirement benefits that amount to 140 percent of the last net earnings. Before we take even 1 mark from a widow with an old-age pension of DM 800, I should like to propose that we look for possibilities of savings in the public service sector.

Question: Is that a realistic proposal? Civil servants have many political friends.

Answer: This was not a rhetorical remark. We are faced with the task of reforming the pension insurance system. In my view, this can only be done in conjunction with a reform of the retirement pensions in the public service sector.

Question: Does the federal chancellor also see it that way?

Answer: I start on the premise that every reasonable man see it that way--and the chancellor is a particularly reasonable man.

Question: Is a parallel change in both old-age pension laws and the retirement system of the public service sector a precondition for you?

Answer: Yes.



Question: In the case of cutbacks for old-age pensioners, in contrast to almost all other subjects of the coalition talks, very firm percentages and concrete timetables have been mentioned. Is the Kohl government dismantling what the Adenauer government had created as a great social progress--a dynamic old-age pension based on gross earnings?

Answer: The strongest attack against the social benefits system lies in unemployment. It is, after all, not a question of good will. The question is whether we can still finance the system. The dispute about the pension formula and other matters becomes a meaningless fight if we cannot first clarify whether we can again attain full employment. For no matter what the pension formula is--pensions are always financed by the labor of those presently working. In this regard, the CDU remains faithful to its intent to maintain a system of old-age security which can function and can be financed. The principle remains, [but] times change.

Question: Reform efforts in the pension area started already at the turn of the year 1976/77--with the so-called pension fraud of Schmidt and Genscher.

Answer: We are not perpetrating pension fraud. You mistake reform for elimination. We are reforming. In the case of my proposals, it is not only a matter of collecting money. They are building blocks for a structural reform. None of these measures serves only to save. The difference between Blum and Ehrenberg lies in the fact that I do not turn everything over to the bookkeepers. The long-term purpose is more important than short-term financial relief.

Question: What, in concrete terms, does this mean for the example of social pension insurance?

Answer: Adjusting the increase in pensions to the wage increase of the previous year instead of to the 3 preceding years not only brings savings of DM 1.4 billion in 1984, but also brings pensions and wages closer together. This makes the principle of contributions more plausible. Moreover, we also levy a contribution to the pension insurance against sickness benefits, because we are of the opinion that social benefits which replace wages must also be treated as wages. If someone wants to accrue pension claims during the period of illness, he must also pay something toward it. The third point is that we also count extra pay as a part of wages subject to pension contribution. If a trade union agrees to a 14th month of wages instead of a monthly pay increase, there is no reason why it should not be subject to mandatory contribution.

Question: Under the tax laws, this amount is already apportioned on a 12-month basis and taxed accordingly--however, this is done for the benefit of the taxpayers. In the case of social contributions, it's the other way round.

Answer: I am against a social policy for those clever ones who are constantly looking for loopholes. Those we close up.

Question: This leads to new burdens....



Answer: ...but not for the little man in the street, as the FRANKFURTER RUNDSCHAU wrote. If someone earns less than DM 2,500 [per month] he stays, even now, below the income limit where he has to contribute to social insurance and must therefore pay social contributions for holiday pay or a 13th month of salary.

Question: So only those have to pay whose income lies between DM 2,500 and DM 5,000, the social insurance contributions limit.

Answer: That brings in DM 3 billion--almost as much as a 1/2 percent contribution increase for everyone. Abolishing exemptions for Christmas bonuses and child benefits for pensioners does away with special regulations for which there is no longer a basis in fact today. It is not the job of social insurance to deal with the equalization of family burdens. Incidentally, child benefits were introduced at a time when child allowances did not yet exist. This is a typical example why social benefits must be examined from time to time to see whether they are still justified.

Question: At the moment, the question still remains open whether the increase in pension payments shall again be postponed in the coming year, or whether you will find a way to avoid this through a new pension formula, without bringing on a new financial crisis. In which direction do your thoughts tend?

Answer: I consider three points of orientation important:

--First, the correlation between contribution and pension; this is the precondition so that pensioners can have the assurance of receiving old-age pay for a lifetime's work, and not a handout.

--Second, that pensions be increased according to available incomes; this demonstrates that the social pension insurance is a communal institution spanning generations. In this, the orientation point of "available income of the working population" leaves room for several variants: a pension based on net income (which I do not favor); or, for instance, taxing the pension or a new pension formula in which burdens for the contributing payers, such as taxes and social contributions, are taken into account. I consider it an important preliminary decision that the taboo of a pension based solely on gross income can be overcome, for that cannot be financed.

--Third, federal subsidies and insurance funds must be strictly separated. If the government designates new tasks for social insurance, it must also provide the funds for them--and if [the government] does not have them, it must not act as if it were a benefactor.

Question: Toward what goal are all these cutbacks and indirect contribution increases to lead, if they are to be more than financing tricks?

Answer: It is my strategic goal to put social insurance on its own feet. It is my wish that at the conclusion of a great pension reform--which we must settle during the next year--there will be a self-supporting system. Then, pensioners and paying contributors won't have to ogle Bonn every year to see whether there are kindhearted people who will decide the next pension increase, or who will fill the gaps by juggling matters between the [various] types of social insurances.

Question: Do you want to give autonomy to social insurance?

Answer: From electronics, we know of the automatic control system which guides itself. Autonomous social benefit systems would deprive the government of manipulative possibilities....

Question: ....but would also rob politicians of their opportunities to develop a public profile.

Answer: Yes, and it would take from social policy the authoritarian features and the odor of charity. It is my ambition to transfer freedom of action away from the government to self-administration. This, however, will not work as long as social insurance has only a month's worth of reserves. Because, with the slightest economic tremor, it is dependent on government aid.

Question: Does your idea of the automatic control system also apply to unemployment insurance--could it also be freed from government control? At the moment, contributions are very high, and benefits are being cut.

Answer: Unemployment insurance is not on the same level with social pension and health insurance. Economic fluctuations, and possible unemployment caused by them, cannot be precisely insured. But the question ought to be raised what financial benefits are truly a part of unemployment insurance, and what is a labor-political service benefit.

Question: Only about two-thirds of the Federal [Labor] Institute's expenditures serve to support the unemployed.

Answer: This service is utilized, in part, by people who never paid in a single solitary D-mark. If we uphold the principle of performance and counter-performance in social policy, then something is out of order here. Must the vocational counsellor be paid by the insured? Is it right that occupational training is being paid for out of contributions by workers and employees--in contrast with school and university studies--while students already yell if scholarships are to be converted to loans?

Question: Would this not have to lead to a general levy on the labor market--particularly public service?

Answer: Since he [the civil servant] runs no risk of a job loss and does not contribute from his salary to the other responsibilities of labor market policy, he could take that into account in his salary increases. We could have said that this year, salaries are being raised by 4 percent, but that a 2 percent labor market tax is being levied. That leaves 2 percent--and according to a government resolution, that is the amount by which the salaries of civil servants are being raised.

Question: But what about unemployment aid--will the knife be applied there, also? Will you, for instance, cut back payments for singles from 68 percent to 62 percent of wages?

Answer: We will re-examine where we have to save. It doesn't give me the least bit of pleasure to impose further financial sacrifices on those who have already lost their jobs. Even now, the 68 percent are no longer geared to the previously effective wages actually paid out. Special bonuses are not taken into account. Unemployment benefits, in part, are already below 60 percent of the last salary. An unemployed worker with two children and only DM 500 for rent must have had an income of at least DM 2,800 so that, with his unemployment benefits, he does not fall under public welfare assistance. Average unemployment benefits amount to DM 975. Two-thirds of the unemployed receive benefits of less than DM 1,000. This is hardly luxurious support, and little enough.

Question: But you do have very clear plans for cutbacks in the Disabled Persons Act.

Answer: Yes, but primarily so that we can help the most severely disabled. We must ferret out the special benefits, because they cause the great demand for disability certificates. It simply doesn't work to demand free transportation on public means of transportation and a simultaneous tax exemption for one's private car. But even the concept of "reduction in earning capacity" is highly questionable. I know people who, according to their certificate, are 80 percent handicapped in their earning capacity but perform 160 percent on the job.

Question: Will you submit a reform proposal in the first half of the year in order to avoid our becoming a people of the disabled? Up to now, over 7 million certificates have been issued.

Answer: Not everything in the first half of the year--social insurance, unemployment insurance, health insurance. My name is Bluem and not Hercules.

Question: The area of health insurance is more important to you?

Answer: Also because, in this area, it is especially easy to demonstrate that social policy deals with more than just "dusting off" money. Here, the question must be answered whether we want to live in a society where somebody else is responsible for any and all problems which arise in life. I would not like to leave to my children a world in which, during any difficulty, the boss, the trade union, the church or the health insurance is called upon. In a society in which health is no longer a subject for which the individual himself is also responsible, the human being disappears as a person. I would not want to live in a society in which human beings are kept along the lines of chicken farming--well taken care of, but without room for maneuvering.

Question: How do you want to translate that into terms of practical policies?

Answer: We will start by tossing out of the catalogue a few risks covered so far by health insurance.

Question: For example?

Answer: For example, "health disruptions." There must not be an illness certificate given for every little indisposition. If we accept the World Health Organization's definition of general well being, soon there will be nothing, from sweaty feet to lover's grief, which cannot be treated on a sick-certificate. Social welfare can also have the effect of a gentle soporific. We also want to ensure greater clarity. Perhaps it will set some of the insured to thinking when they realize the cost of using medical services. And it can do no harm if the patient checks whether the doctor's night call, which was billed, actually took place. Where else is it possible that one profession can simply write down its own services rendered without the client seeing anything of it? This is not a collective judgment against physicians. There are black sheep everywhere.

Question: And what happens with the DM 27 billion for hospitals?

Answer: First, we'll reduce a few beds. For wherever there is a bed, somebody will lie in it. And the longer the patient stays in it, the more lucrative it becomes for the clinic. Under the present system, it does not pay a hospital to operate efficiently. For whenever someone produces a surplus, his nursing rate [subsidies] are lowered. In the present circumstances, cost efficiency is stupidity.

Question: When will Hercules Bluem tackle this difficult task?

Answer: This year. First, a commission is to give its opinion. But it is already clear today that, in the first place, the mixed system of government and state subsidies must be eliminated in the financing of new construction, because it is a form of blurring responsibility. Secondly, the separation of investment and nursing charges must be rethought. Thirdly, the principle of covering self-cost must be modified. But that is not all, by a long shot.

Question: And from all these individual bits you want to put together a new social state?

Answer: Contrary to different-sounding reports, I do not just want to be the "collection" minister. Social policy, the way I envision it, must also embrace the view of a world in which people are independent and solidary. I am for a social policy which promotes solidary self-help, and not the humble attitude of a vassal. This includes not only the autonomy of social institutions and greater efficiency. It also includes the formation of wealth by the working population ....

Question: ...What the coalition is offering up to now is pretty skimpy, that is, increasing the law of DM 624 to DM 936\*, with the possibility of investing it in the enterprise.

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\* [This refers to the amount a worker can save, tax-free.]

Answer: But we are taking a step forward. Another point is greater flexibility of working hours, including the length of one's working life. More money, by itself, does not yet mean sociopolitical progress. We are looking for it along other lines. Witout courage and imagination, we'll end up in a special interests jungle.

9917

CSO: 3620/313

## TALKS WITH USSR ON INCREASING NATURAL GAS IMPORTS TO START

Helsinki HELSINGIN SANOMAT in Finnish 19 Apr 83 p 29

[Text] Negotiations on additional natural gas imports and extension of the gas pipeline will begin in June. The 1982 Natural Gas Committee, which submitted its report on Monday, recommended that natural gas imports be increased.

The committee, which submitted its report to Commerce and Industry Minister Esko Ollila, hopes that the price of natural gas imports can be gotten down to such a low figure during the negotiations that, taking into account distribution costs, it will make gas more competitive than it is now in comparison with solid fuels.

Only a summary of the report of the committee headed by general manager Erkki Vaara was made public on Monday. The Commerce and Industry Ministry had published the original report in secret because it contains confidential price and cost data.

According to Undersecretary of State Ake Wihtol, the purpose of the round of negotiations they are preparing for is to determine how the pipeline extension project can be implemented, the probable price level of natural gas and how much and when gas can be purchased.

According to Minister Ollila, it is important to get started on natural gas price negotiations. This is, according to Ollila, indispensable since almost the only way to maintain trade with the Soviet Union at a high level is to increase natural gas imports.

Ollila regarded opportunities for increased use of natural gas and extension of the gas network as being realistic. Ollila stressed the fact that the profitability of the project can, nevertheless, be guaranteed.

The Natural Gas Committee report will be presented to the government's Economic Policy Ministerial Committee on Tuesday. Deciding on the matter will be the responsibility of the new government.



## Competitive Price

Keeping increased natural gas imports in mind, the committee recommends that the basis for negotiations be a price that can compete with that of coal. The committee proposes that the term of the natural gas import agreement be as long as possible, at any rate at least 30 years.

They propose that the evolution of gas prices be tied primarily to that of coal prices, chiefly to guarantee that gas consumption will develop in a favorable way in future as well.

The committee also proposes that it be determined whether the gas pipeline could be built as a joint Finnish-Soviet project with magnitude and scheduling to be agreed on. It should also be determined whether the pipeline could pay for itself during the term of the agreement in terms of the price of gas.

This arrangement would, in the opinion of the committee, also guarantee sellers' interest in promoting consumption and maintaining competitive prices.

Last year 694 million cubic meters of natural gas were consumed in Finland. This corresponded to 2.4 percent of the total energy consumption. Consumption dropped by 6 percent in comparison with that of the preceding year. It was 50 percent less than the gas import agreement concluded with the Soviet Union in 1971 would have allowed.

Relatively burdensome investments required for the gas network and their unprofitability in terms of the commercial economy as well as the poor price-competitiveness of gas in comparison with alternative fuels, among other things, served as an impediment to the growth of natural gas consumption.

The consumer price of natural gas has not been competitive, particularly as compared with that of coal. At the start of 1983 natural gas was over 50 percent more expensive than coal for the big consumers on the coast. On the other hand, natural gas was from 10 to 20 percent cheaper than heavy fuel oil.

## Billion-Markka Investment

The committee also investigated the costs incurred in bringing the gas pipeline through Southern Finland. If primarily oil is replaced with natural gas, in terms of the alternative extending from Helsinki to Tampere, expansion of the network would require investments amounting to about 800 million markkas. If coal is also replaced with gas, the amount of these investments would be raised by about 200 million markkas.

The potential amount of gas the capital district will use is being determined by a joint committee composed of representatives of Neste Oy [state oil firm] and the energy plants of the capital district communes. By May the committee will have determined those background factors that affect the price of natural gas.

Among other factors, the committee of experts will ascertain how the location of power plants, laying of lines, duration of agreements, emergency reserves and load-uniformity requirements affect the price of energy.

11,466

CSO: 3617/115

## INFLATIONARY TENDENCY, OUTPUT FOR 1982 DESCRIBED

Lisbon DIARIO DE NOTICIAS in Portuguese 1 Apr 83 p 4

[Text] Portugal and Greece are among the European countries with the highest rates of inflation last year, with Iceland and Turkey barely ahead of them, according to data recently published by the United Nations. Inflation registered 23 percent in Portugal in 1982, while it was not more than 20 percent in 1981, and is now showing a slight downward trend.

The data from the Secretariat of the United Nations Economic Commission for Europe also shows that after a moderation in the price index between the end of 1979 and the last quarter of 1980, inflation rose constantly up to the second half of 1982. At that point, the 45-day price freeze (following the devaluation of the escudo) succeeded in reversing the trend.

Despite the 3 percent growth in the national product--which can be regarded as positive since many industrialized countries had lower rates and frequently even zero rates--investment declined in Portugal during 1982, especially in the second half of the year.

As regards farm production, like most southern European countries (affected by abnormally low rainfall in 1981), it recovered by recording a 6 percent growth rate, making up for an identical decline the previous year. The energy sector showed the same 6 percent rate of growth.

Industry and services recorded a growth somewhat less than agriculture and energy. In the case of the manufacturing industry, indices for use even declined during the first half of 1982, coming back up to the 1981 level by the end of the year. This decline is attributed to a reduction in the number of foreign orders since 1979.

Services declined by about 2.5 percent as a result of a bad year for tourism and a slackening in the growth of public services. The construction sector also eased off by 2 percent, which is normal in a time of crisis because of the sensitivity of the sector and credit limitations.

Private consumption was contained somewhat (an important component in inflation), thanks partially to a decline in real wages of about 3 percent and a reduction in consumer credit, especially for durable goods.

As for exports, which had declined by 2 percent in 1981, they increased in 1982 by 6 percent. The export of services went down slightly, but the growth in imports was less than the rate of increase in national demand.

9805

CSO: 3542/108

## FOREIGN INVESTMENTS GREW IN 1982; PROSPECTS DIFFICULT FOR 1983

Lisbon A TARDE in Portuguese 12 Apr 83 p 5

[Excerpts] The growth of direct foreign investment in Portugal in 1982 reached 9.8 billion escudos.

The prospects for direct foreign investment in Portugal in 1983 appear difficult due specifically to the world economic recession and the internal political crisis.

The prolongation of the economic recession was already the principal factor that contributed to the direct foreign investment authorized in 1982, growing only 5 percent compared to the previous year, reaching 9.8 billion escudos.

For the past 4 years, the direct foreign investment in the Portuguese economy has shown a tendency toward strong growth, meaning a recovery of confidence on the part of foreign investors in the Portuguese economy, accentuated since 1980 with the prospect of political and government stability.

That prospect was the determining factor in the actions of the Foreign Investment Institute in 1982 in important markets such as the Arab countries and Japan, the capital of which could flow to Portugal in the coming years.

Other priority markets for promotion of the possibilities of investment are the Arab countries, which discovered Portugal in 1982, with some already significant investments, particularly in the services and tourist sector.

In all of the Portugal promotion actions abroad, the Foreign Investment Institute is engaged not only in attracting capital to Portugal but also in guiding it to the less developed regions of the country in an action linked to the coordination commissions, specifically of Alentejo and the Center Region.

At the same time, the earlier years (the Renault Project and Somincor-Pirites) have ended, which has caused French investment to drop from 2.9 billion escudos in 1981 to 1 billion last year.

In 1982 the investment of EEC countries in Portugal dropped to 3.3 billion escudos compared to 5.7 million in 1981, showing a drop for almost all of the countries.

An analysis of foreign investment in Portugal shows that the most dynamic sector was the expansion of already existing companies in Portugal (an increase of 19 percent compared to 1981), reaching 4.9 billion escudos.

8711

CSO: 3542/116



## DROUGHT AFFECTS ALENTEJO, NATIONAL ECONOMY

Lisbon DIARIO DE NOTICAS in Portuguese 29 Apr 83 p 7

[Excerpts] Alentejo, the odyssey of 1983.

The Alentejo is facing one of the most destructive droughts of recent years. When the drought devastated the region in 1980, the majority of the farmers did not sow their seed in the ground. The period was bad but, unlike what happened with these seedings, capital was not risked in the purchase of products.

This year, however, the weather was promising and in February everything led to the belief that the crops could break all records. But the rain did not nourish those illusions and the lower Alentejo is on the brink of disaster. In Beja, the cutoffs of water to the population are already 11 hours a day and the 31 millimeter rainfall that occurred Sunday would have been very useful for the field, but 1 month ago.

## A Minister and the Rain

This trip by the agriculture minister and the journalists to the Lower Alentejo region resulted from an invitation made by the National Association of Grain Producers (ANPOC) and the Association of Farmers of the Lower Alentejo (AABA), which had the support of the Confederation of Farmers of Portugal (CAP).

Strangely, it was under the rain that Baiao Horta confronted the problems of the drought in that region.

Basically, the farmers of the Lower Alentejo are demanding new anti-drought measures from the government which include a contingency fund subsidy in the order of 50 percent and declaring the region a national disaster.

The Monte do Marmelo Estado is irretrievably lost, even if it starts raining. They are rickety grain fields without any prospects and even those that are green are going to sprout by force when the heat arrives and their rotting is inevitable.

The Odivelas irrigation system is not going to have water for more than small plots of land.

In Figueira de Cavaleiros, the lands have not been cultivated and the small areas sown are withering. The small and medium farmers who work in irrigation are going to have to face unemployment since they do not have the income to meet expenses.

Beyond the oak groves, the great spaces planted in wheat show enormous yellowed areas, and near Ervidel, where the lands are colder, the soil has cracked.

Here and there, one observes dark terrain, rotated, for the spring plantings, essentially sunflower, safflower and chickpea. The lack of water does not permit germination and few, or almost none, are saved.

And so it is one almost every side. Dairy cattle and cattle fattening units have large stretches of fodder completely lost.

#### The Solution Is To Import

The Beja District, with an area of approximately 1 million hectares, produces one-third of the wheat and 60 percent of the barley that is consumed in the country.

The drought also affected the Upper Alentejo, though in a different way. As a repercussion, the Minho is also going to suffer the consequences since it is from the Alentejo that it "imports" all of the cattle feed.

Baiao Horta was again questioned by the journalists.

The Minister, who went to view the drought under the rain, made a preliminary evaluation of conditions and, heeding the fact that the grain fields that are still green were the late ones, which are sprouting but are not going to produce any grain, he made his estimate: "At the most, we will have a national production of 200,000 of wheat. It will be necessary to import 900,000 tons."

For a country in crisis, this prospect will not be very optimistic. The investments in the Lower Alentejo are around 16 million centos but, according to Basilio Horta, the losses are not general. For that reason, it is not appropriate for the time being to declare a national disaster situation.

This opinion was expressed some hours before a meeting set for the Beja Farm Cooperative, where about 300 planters were to present their problems to the agriculture officials, not only due to the situation they are going through but also due to the measures taken by the government to diminish the effects of the drought and published in the DIARIO DA REPUBLICA on the 13th of this month.

The farmers already know the intentions of the minister, who is prepared to grant subsidies and open up credits, but in accordance with principles with which all have to collaborate so that the opportunists will take advantage.

## EXPORT GOALS FOR 1982 FULLY ATTAINED

Lisbon DIARIO DE NOTICIAS in Portuguese 29 Mar 83 p 1

[Text] "The quantitative and qualitative goals set in the 1982 export policy were fully attained, and in some cases even exceeded," the state secretary for exports indicated at the inauguration of the new facilities of the Portuguese Foreign Trade Institute in the city of Porto.

According to Faria de Oliveira, the success is attributed to "the efforts of exporters and the assistance and support provided the export business by the current government." In analyzing the behavior of Portuguese exports in 1982, the secretary said that there was "a strong expansion in real terms of 7.8 percent," an increase that "was particularly high for the EEC countries, the United States, Japan and Spain."

With regard to imports, the state secretary said that it was impossible "to maintain their growth at the projected level (zero)." They increased by about 5 percent, leading the government to start a "buy Portuguese" campaign.

After arguing that "we should produce what is exportable, instead of trying to export what is produced." Faria de Oliveira disclosed that new export incentives are under preparation. They will include a new commission which will obtain easy credit from banks for firms with firm export contracts, a "buy Portuguese" campaign, a special letter of credit for exporters to cover expenses abroad, incentives for the use of Portuguese raw materials and technology in export projects, and support for shippers of merchandise.

9805

CSO: 3542/108

## BRIEFS

HUGE LONDON LOAN--Our newspaper learned from the Finance Ministry that at the end of last week, the Portuguese Government concluded negotiations for the granting of a "huge" loan in the order of \$300 million by the London financial market. The loan, which should be formally signed in May, was assured by a group of five banks, which will now "pass" it to other international credit institutions so that the combination of banks involved may possibly reach a score. A government source assured our newspaper that the "huge" loan is not based on extremely "tough" conditions for our country, as had been reported, "but is in accord with the current rules of the international financial markets." The aforementioned loan will begin to be paid at the end of the decade. [Lisbon TEMPO ECONOMICO in Portuguese 14 Apr 83 p 1]

TRADE DEFICIT WITH SPAIN--In 1982, the Portuguese trade balance showed a deficit of approximately 36 million contos in its exchanges with Spain. During that period, our country imported Spanish products in the amount of 48 million contos. It exported to that neighboring country goods in the amount of 12 million contos. The ratio in trade relations between the two countries was 4 to 1 in favor of Spain, compared to 5 to 1 the previous year. In the month of December 1982, Spanish exports to our country represented triple the Portuguese products imported by Spain. Portugal imported products in the amount of 5 million contos compared to exports of only 1.6 million contos. [Lisbon DIARIO DE NOTICIAS in Portuguese 11 Apr 83 p 9] 8711

FOREIGN LOAN GRANTED--A group of foreign banks granted Portugal a loan for \$300 million (about 30 billion escudos), the Ministry of Finance reported yesterday. The administration initially hoped for a \$400 million credit, but difficult conditions on the financial markets ruled out that amount. The banking group includes credit institutions in Great Britain, the United States and Japan. The government contracted this loan under authorization from the Assembly of the Republic included in the tentative budget, which permits the executive to negotiate foreign borrowing in equivalent foreign currencies up to \$650 million. [Text] [Lisbon O DIA in Portuguese 7 Apr 83 p 4] 9805

CSO: 3542/108

## DANKERT ON PROBLEMS OF EC INSTITUTIONS

Brussels LE SOIR in French 20 Apr 83 p 5

[Report on interview with Piet Dankert, president of the European Parliament by correspondent Maroun Labaki; date and place of interview not given]

[Text] A young president of the European Parliament is making an official visit to Belgium, starting this Tuesday. Piet Dankert is, in fact, 49 years old. He was born in Friesland and he began his professional life as a history teacher in secondary teaching.

He has also been a socialist for many years, somewhat irreverent, as the Dutch can be. The fact that he was a socialist should have logically barred him from the route to the European presidency, but, one remembers, the British conservatives preferred him to his conservative German rival, at the time of Mrs Simon Veil's succession in January 1982.

A convinced European, he has walked in the halls of the European agencies since 1971. Elected deputy in 1971, he began by having a seat in the Council of Europe, before entering the European Parliament in 1977. In the posts of general recorder of the 1980 budget and vice president of the budgetary control commission, he shook the community coconut tree and acquired a reputation which helped to elect him to the presidency of the Assembly.

He is finally a pragmatic and appealing man, with a genuine charisma, who is Belgium's guest this week. A man who still seems enthusiastic and demanding, in spite of the discouragement which the weaknesses and clumsiness of the European spectacle causes him.

[Question] Mr President, Europe is in a difficult stage. The institutions and summits are passing the buck and the machine appears to be jammed. How do you explain this situation?



[Answer] I want to say first that the fact the French socialists chose "European" at the time of monetary realignment is extremely encouraging. It was not easy to make this choice, but they did it.

But basically I share the pessimism expressed recently by Gaston Thorn: in view of the inability to make a decision shown at the Brussels Summit, one is going to overload the Stuttgart Summit at the beginning of June. I do not want to say that the community's future depends on the Stuttgart Summit, all the same. One already says that regarding the problem of the reduction of the British contribution, which is now the focus of the community's concerns, there is a risk of witnessing irreparable outbursts of bad humor.

It is this inability to make a decision which I fear above all, this method of the chiefs of states or government of passing the buck to the competent ministers without giving them sufficiently clear directives. This problem is easier to solve than political problems. As for the Council of Ministers, it really does not function anymore: the ministers arrive at 1000 hours and are poorly acquainted with their briefs, with the officials having prepared everything. Consequently, they lack the opportunity to maneuver and reach agreements. It is the bureaucrats who hold power and that is disastrous for democracy in Europe.

[Question] Has not the economic crisis also played a paralyzing role?

[Answer] I brought up the decision crisis because it has a longer history than the economic crisis and because it aggravates it. With the economic and budgetary difficulties, one no longer knows at all what to do to make a decision. Unfortunately the crisis favored nationalist tendencies: milk the community cow to the maximum. But we must show European public opinion that it is necessary, on the contrary, to do more on the European level, or at least to coordinate policies more. Integration or coordination, that is the same to me, on condition of getting out of the crisis together and not returning to the national state.

#### Billions Wasted

The European elections of 1979 unfortunately facilitated the return to the national state, to the extent that they began a separation between the European Parliament and the national parliaments. The "national" members of parliament do not have the necessary European information and the political parties are hardly interested in what happens in the European Parliament.

[Question] What must be done to start up the European machine again?

[Answer] I am convinced that at the present moment it is necessary to create a European hope. This hope lies in what Europe can do to begin economic recovery. I am not a great supranationalist: the community serves the states, as the states serve the community, but we are there to protect and develop social systems.

Europe has resources, it is richer than the United States. We must resort to the "community instrument" to use them to the maximum. In recent years about 120 billion dollars have been spent in the community for siderurgy, shipyards and other industries. But three-fourths of this amount was wasted because it was devoted to competition between EEC member states. We have ruined our opportunities for the future in wanting to save jobs, rather than create new ones. And that continues in the field of new technologies, the Europeans are competing with each other.

[Question] The role of creating a European hope falls logically on the European Parliament, which consequently holds the key.

[Answer] Not the key, no. Let us be frank: the power is on the side of the states, it is intergovernmental. The European commissioners also have a power, of initiative, but they have a tendency to defer too much to the state leaders. The role of Parliament is to help the Commission to preserve its European mission, to assume its responsibilities.

I confirm, moreover, that in 4 years, the Parliament has considerably increased its influence on the Commission. In February, a rumor--which I perhaps encouraged a little--circulated, according to which the Parliament wanted to "dismiss" the Commission. You should have seen it: all the commissioners came to Parliament, in all the political groups...

### The Quality of Participation

But we do not have enough express powers. We use our budgetary powers to find "legislative powers," but it is not simple and that produces conflicts. And public opinion must not get the impression that Europe is an eternal conflict between institutions. Obviously, we have committed some stupidities, like any parliament whatsoever. There are many criticisms. But let us not exaggerate: we are never compared with a national parliament. From where does the interest in national parliaments come? From the fact, that they support governments. We do not have a government.

[Question] The European Parliament has not taken initiatives which have had an important effect on public opinion. Do you not fear the sanction of the polls?

[Answer] We have had a very good press, it is true. Partly because we have a reputation as a resolution machine. We change the world in a few days, but nothing happens. This is our lack of clear powers. Public opinion does not perceive our increased influence. In any case, the next European elections will be crucial for the European Parliament. According to our evidence, we must not exclude that the average rate of participation will be the same as in 1979. That is to say relatively low. If it falls too much with respect to 1979, the future options will not be very good.

But what impresses me more than the rates, is the "quality" of the participation. Unfortunately there is a tendency to use the European elections as a national test. One is not yet on European time.

[Question] There was a question of a uniform electoral system, but the idea has disappeared. Will the nationals of the community be able to vote for the candidate of their country of residence?

[Answer] I am pessimistic. There are 2 or 3 million Europeans who will not be able to participate in the European elections, which is foolish. Moreover, I have just learned that a government in the community claims that it will not be able to organize European elections between 17 and 20 May 1984, as agreed. It is not even possible to agree on a date. We must not leave Europe to the governments. It is that which is clearly demonstrated.

Brussels Forever

[Question] Must we leave it to the European Parliament?

[Answer] No, that would be very unwise...The function of a parliament is to express what one wants, and not what one can do. It is to transmit the will of the people to the government, which is there to answer: "My children, our calculations show that this is not going to work..."

[Question] Our beautiful city of Brussels is going to welcome the European parliament in a few days for a special session on employment...

[Answer] It will not be in a beautiful building.

[Question] You fear that things will go badly in the Palace of Congresses?

[Answer] I was in that building during a congress of the federation of socialist parties of the community and I remember it rained inside. Having said that, it is not quite designed for parliamentary use. We had problems of "adjustment."

[Question] It is rumored in Brussels that the Belgian government deliberately decided to "lodge" you under poor conditions, in order not to inconvenience Luxembourg...

[Answer] No, we selected the room ourselves. There were alternatives outside of Brussels. I am not going to say that the Belgian authorities showed a very warm cooperation. They did not anticipate our fastidious needs, but we got all we asked for and sometimes even more. Let us say that there was a certain secrecy, a certain surprise.

[Question] The European Parliament is scattered in three cities. Do you still favor a final concentration in Brussels?

[Answer] As a European deputy, I favored Brussels. As president, I am somewhat more cautious. But that amounts to the same thing: I am convinced that it is necessary to place the Commission and the Parliament in the same city, and if possible, the Council of Ministers, for a quite simple reason. I am not an optimist, in the short term, on the opportunities of increasing the Parliament's powers, which are going to remain powers of influence. They can suffice, on condition that we can really exercise that influence.

[Question] Is this dispersion still going to last a long time?

[Answer] The Maastricht European Summit maintained the status quo. Some governments do not want a European Parliament...except to assure a "European dimension" and allow them to promote nationalism and get the maximum from the common treasury.

#### Speeds and Security

[Question] Last question: Do you favor a Europe a la carte, at several speeds, with a flexible geometry?

[Answer] I have learned that this dear Leo Tindemans expected the failure of the Genscher-Colombo attempt\* to launch new ideas, of the type "Europe at two speeds," investigating more deeply what he had already written in his report. I think that he is right. I am opposed to Europe at two speeds, there is no doubt, but the nation states depend on Europe to a great extent. And if, because of ill will or the political incompetence of some persons, this Europe cannot exist, we must find a solution to serve the states which wish to survive, thanks to more extensive cooperation. If the Europe of the Ten is too broad to encourage the effort, then we must make it smaller. The North in the community does not seem ready to finance the South, through policies. Consequently one is guided by this.

[Question] On what subject would you like to conclude this interview?

[Answer] On the subject of security. I observe a development of relations between the European countries and the United States. This process could have a European function similar to that of the Franco-German phenomenon after 1945. But for the moment, the community does not have a consistent policy vis a vis the United States and that is not very acceptable. The polls demonstrate it: The Europeans want a European position in our security relations and in our relations with the United States. It seemed essential to me that Genscher had proposed to unite the ministers of defense in the European context of political cooperation. Chancellor Schmidt had then rejected this idea, being more Atlanticist than Genscher. If the Europeans do not have enough confidence in themselves, it is because they are not united enough.

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The chiefs of German and Italian diplomacy proposed to their counterparts advancing on the way to European union, especially by adopting the principle of majority vote, except "vital interests," and by increasing the community's resources and the powers of the Parliament and the Commission. NDLR [expansion unknown].

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CSO: 3619/64



## OPINION POLL SHOWS DECLINE IN PQ POPULARITY

## Teachers Organization Interpretation

Montreal LA PRESSE in French 29 Mar 83 p A 4

[Article by Pierre Vincent: "The Quebec Party in Free Fall"]

[Text] Quebec--In comparison to the CROP-LA PRESSE poll of exactly a year ago, in terms of the voting intentions of Quebec residents the Quebec Party (PQ) has lost 17 percent and the provincial Liberals have gained 4 percent. Denis Fagnan, director of the Public Opinion Research Center, does not remember any government having fallen so low in public approval: 31 percent of Quebec residents say they are adequately satisfied or very satisfied (4 percent) with the Levesque team. However, 81 percent of the respondents believe that things are currently not going so well in Quebec and even not well at all.

If elections had been held in Quebec 16-19 March, the Quebec Liberal Party (PLQ) would have received 41 percent of the vote, the PQ 19 percent, the National Union 7 percent, and the other parties 4 percent. Eighteen percent of those polled did not know whom to vote for, and 8 percent declined to answer.

The results of the CROP poll, carried out on behalf of the Quebec Teachers Organization (CEQ), and covering 1,125 English-speaking and French-speaking residents of Quebec, indicate to the president of the CEQ that the Levesque government no longer has the support of "those who live in the real world."

Yvon Charbonneau explains the request for this poll (that strangely resembles a political party poll) by the fact that the CEQ wanted to know to what degree its position in the current conflict with the government is reasonable and legitimate; to what extent it can count on public support. In its view, the poll results leave no doubt: the teachers are nearer to the people than the government. He said: "The people are not behind the head of government and his team of followers in their unreasonable outbursts."

According to the trade union leader, Prime Minister Levesque should have made sure of "undoubted" public support before issuing his special laws and "clubbing" the trade unions. Yvon Charbonneau affirmed that the longer he persists in his "authoritarian" attitude and the deeper he gets in repressive

measures, the more he will lose public support. Buttressed by the results of the poll, he believes that the teachers are now completely justified in "continuing their struggle in complete confidence, using whatever means our members choose."

Even though one of the obvious implications of the poll results could be to call for the Levesque government's resignation, Yvon Charbonneau is careful not to go this far. "We are not out to bring on elections or to make one party win or lose. All we want, and we have been saying it from the start, is to sign an honorable collective agreement."

Yvon Charbonneau continues by saying that the government could reach an understanding with the CEQ inspired by the opinion expressed by 64 percent of the responders in favor of a settlement on the basis of the status quo; that is, an agreement that would "maintain the labor conditions that prevailed prior to the decree."

#### "Courage" Needed

During a joint CROP-CEQ press conference yesterday in Quebec, Denis Fagnan of CROP stressed that the margin of error in this telephone poll, in which 62 percent of the individuals "polled" participated right to the end of the 15-minute interview, was minimal, less than 5 percent. The conductors of the poll had chosen at random 625 people in Montreal city area, 260 in Quebec city area, and 240 in the rest of the province; it turned out that two-thirds of the people interviewed had no family tie to any employees in the public and semi-public sectors.

The CEQ-CROP also revealed that Quebec residents consider that the teachers are making a greater effort than the government to try to settle the conflict. It should also be noted that 80 percent of the respondents, who were polled just at the time when the conciliation was getting under way, also believed that "the government should now make a particular effort to settle the conflict."

Also, citizens are afraid that the budget cutbacks may reduce the quality of education and, on the contrary, want the government to continue to invest substantially in this area, particularly because they believe that in the future it will be more necessary than ever to have considerable training in order to get a job.

Finally, 41 percent consider that the quality of education in the Quebec public schools is rather mediocre or very mediocre, while 47 percent of respondents regard it as fairly good, and only 5 percent as very good. Yvon Charbonneau seemed to be proud of this result, and maintained that what is needed is "courage, considering several weeks of strike, to dare to come out in favor of quality of education in our public schools."

'LA PRESSE' Editorial

Montreal LA PRESSE in French 30 Mar 83 p A 6

[Editorial by Vincent Prince: "The CEQ Against an Unpopular PQ"]

[Text] The CROP poll carried out at the request of the CEQ, and whose results were published in the papers yesterday, shows that in a year the popularity level of the PQ has fallen really dramatically, from 36 to 19 percent, while that of the provincial Liberals has shown a modest increase of 4 percent, with 41 percent of responses indicating intention to vote, compared to 37 percent last year.

Should this surprise us? Certainly not. The economic situation has continued to deteriorate for months. Unemployment is having exceptional impact on Quebec. Gasoline and heating oil are more expensive than elsewhere. Taxes of all kinds are crushing the taxpayer. The budget deficit is assuming disturbing proportions. The strikes being tolerated in public services are inconveniencing a large segment of the public.

In particular, the reputation given this government of being a good administrator has continued to erode in view of the hardly brilliant results that it has had to announce recently in several sectors. Particularly, the virtues of frankness and honesty that had been attributed to it have received a rude setback during this second term. The James Bay affair was public knowledge at the time of the poll.

If we add to all this the fact that the PQ more and more appears to be out of breath and imagination, and that people will always have a greater need for bread than independence, it is the opposite result that would have been surprising. When something is going wrong, the government gets the blame first. The polls are no more favorable to the government in Ottawa.

Nor is it surprising, for that matter, that the Liberal Party is not profiting more from the decline in popularity of the PQ. The party does not have a permanent leader and, even more serious, one doesn't really know what it would do if it had to guide the destiny of the province. A substantial portion of the intention-to-vote responses lost by the PQ are for the moment going instead to the National Union. The Liberals must understand that one element of the public will not automatically vote for them in the next election just to express its dissatisfaction with the PQ.

However, when the CEQ apparently deduces from the souring on the PQ government a kind of implicit support for its position in the current negotiations with the government, it is probably going much too far. In fact, it would be surprising if a good part of the PQ's unpopularity did not derive from its over-leniency toward the trade union organizations, including the CEQ.

Certainly, the authoritarianism and unilateral character of the government action reflected in laws 70, 105 and 111 have caused a considerable number of Quebec residents to give the government very bad marks. They would have

preferred a stronger approach. The government measures have made the union cause less unpleasant.

However, except for the response to one or two questions in the poll, the CEQ would be quite wrong to believe that it can rely on extensive popular support. What the poll reveals is that the public appreciates the true value of education and would like the government and its employees to settle their differences amicably.

Furthermore, that this same public would like the government to continue to invest in education, that it sees this as related to economic development, and that it considers it desirable to maintain the status quo is no proof that it is behind the CEQ. That will not prove anything unless the public is asked if it is ready to support a corresponding tax increase and approve of the repeated strikes supposedly intended to achieve that objective.

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CSO: 3519/433

## COMPOSITION OF PQ VOTERS SAID TO BE CHANGING

Quebec LE SOLEIL in French 8 Apr 83 p A-9

[Article by Jacques Roy: "The Quebec Party: A Major Change in Composition"]

[Text] The composition of the Quebec Party has undergone major changes in the past few months. From surveys taken in recent years, sociologist Jacques Roy, who has already published several articles on electoral sociology in LE SOLEIL, analyzes the latest trends.

The next electoral date in Quebec will bear the stamp of the national question. Prime Minister Levesque himself has given assurance of this: this is why he is making peace with the foundation of his party, the members of the PQ [Quebec Party].

In the background, a major alteration in the composition of the PQ is taking shape. In 1970, the profile of the PQ voter was as follows: relatively young (under 35), living in an urban environment, having an above-average number of years of schooling, not belonging to the upper socioeconomic class, and finally, evolving mostly in the public sector. Thirteen years later, this standard portrait is revealing strange changes. A sort of "fading" of a sketched painting over the years.

#### Young People

First of all, the young people. Generations follow one another but do not resemble each other. This maxim is echoed on the electoral scene, particularly with regard to the national question.

An analysis of surveys taken since 1973 shows us a significant shift in the voting behavior and values of young people. Whereas in 1973 the PQ gathered the greatest proportion of its votes from 18-24 year olds, it has begun to lose this age group as of 1980. In fact, a survey taken by SORECOM [expansion unknown] in September 1980 confirms that, by a slim majority, the 18-24 group supported the PLQ [Liberal Party of Quebec] (44.2 percent for the PLQ against 43.8 percent for the PQ).

This was the first time since the PQ entered the political scene that young people tipped to the other side of the scales. Even more revealing was an



examination of 18-20 year olds: this group supported the liberals at the rate of 46 percent against 42 percent for the PQ.

In the same year there was the referendum. The same phenomenon was observed among the young people. According to the Pinard-Hamilton poll taken a few days before the referendum, the 18-20 year olds were 46 percent in favor of a "no" vote, against 44 percent for a "yes." The majority of their elders, the 21-34 year olds, were in favor of a "yes" vote.

Thus, compared to the beginning of the 70's, the PQ is losing its popularity among young people, both on the electoral level and with regard to the national question. In this regard, it is interesting to note that the voting population of the PQ, the majority of which is in the 25-34 year old bracket, now finds itself isolated between the youngest (18-24) and the oldest (45 and over). The loop becomes enclosed by its ends.

This observation makes a major dent in the theory that political independence in Quebec is a simple question of replacing one generation by another. The facts tend rather to illustrate a reverse development: young people are no longer unwavering supporters of either the PQ or Quebec's independence.

#### Regional Changes

At the beginning, the electoral meetings of the PQ were based on an urban environment, especially east of Montreal. One will recall the distribution of the first PQ deputation in 1970: with the exception of Lucien Lessard (Saguenay), they all came from the island of Montreal.

Since then, the political geography has undergone a basic metamorphosis. It is characterized by a breakthrough of the PQ in rural areas, in the outlying regions. Compared to the general elections in 1976, those of 1981 showed a real landslide for the PQ in the Gaspesie, Abitibi-Temiscamingue and Cote Nord regions, while the island of Montreal recorded a standstill in the PQ vote, and a widening of the east-west gulf; in particular, the PQ showed some losses in Montreal (especially Sainte-Anne and Saint-Benri) in spite of its sweeping gains in Quebec as a whole.

In 1980 the results of the referendum already showed this electoral realignment.

Comparing the results of the 1976 elections with those of the referendum (linking a "yes" vote to the PQ and a "no" vote to the PLQ, which was 86-90 percent true, according to surveys), the following sketch appears: losses on the island of Montreal, appreciable gains away from the urban centers (rural areas), and no change or a slight decrease in support for the PQ in urban areas other than the Montreal region.

This new infatuation of the rural population for the PQ is not disconnected to closer ties to the National Union. Traditionally, the members of the National Union are somewhat nationalist and conservative (bound to the traditional values of their heritage). Thus, the "moderation" which the PQ government is claiming with regard to its party's program, the hero worship of the leader (an important symbol of authority in traditional values), the clearly nationalist face as

well as an obvious effort by the government with regard to agricultural policy, are all elements likely to bring to the PQ electoral districts that were formerly destined for the National Union.

The press has noted that for several years already there have been repeated instances of the government keeping its distance from the Quebec Party officials. One might wonder whether this "distance" maintained by the government has perhaps been in proportion to its "closeness" to a certain traditional element of the National Union. A strategy aimed at enlarging its own electoral base; a strategy that also testifies to a definite change in political values.

#### The Public Sector

The employees of the public sector have always formed a voting group which in its majority favors the PQ. They were natural allies. Better yet: several saw the PQ as a true promoter of the public sector, and consequently a sort of protector.

The recent open conflict between these two former allies (going from historical alliance to hysterical opposition) regarding work conditions and remuneration in the public and para-public sectors is feeding a spontaneous skepticism among this group with regard to their voting faithfulness to the PQ in the next election. It is among teachers that the contrast is the most striking: the group that is the most faithful to the PQ is at the same time the group the most severely affected by the government in its negotiations-decrees. The bitterness was made even greater because the expectations were evident in 1976 to the PQ, which was then taking power. The "promised fiancée", in the words of Mr Grandbois, had vanished into thin air. And the voting defection by certain people could be a reaction to the situation of the polarization of the political chessboard into two sides were to continue to the next elections.

#### A Forced Meeting?

Result of a compromise between the government and the PQ (to avoid the break-up of the PQ), deep convictions, an electoral strategy, or a flight forward? The explanation matters little. The next general elections will turn on the national question.

This time the stakes are high: indeed, everything is at stake, power and independence. The challenge will be to unite both the independents with this new, increased electorate of the PQ who, throughout the years, have become familiar with the reassuring image developed by the government since 1976.

Moreover, the bipolarization of the opposing political forces could see its first rift at the next elections. The possible advent of a leftist party arising from the Quebec socialist movement could partially channel the discontent or disillusion among the PQ members. The gains would be mainly to the detriment of the PQ, leaving the field open to the Liberal Party.

In this regard, it is worth emphasizing that the reform in voting procedures proposed by the current government before the next elections would have furthered conditions for the advent of such a political formation on the voting scene.

For the time being, the PQ's popularity rating is at its lowest. The government is in the hollow of the wave. It remains to be seen, however, if, with the aid of a hypothetical economic recovery 2 years from now, the PQ can keep a major portion of its new, expanded voting membership, whom, after all, it did not necessarily acquire on the basis of its main objective: the political sovereignty of Quebec.

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## SOVIET SEES FINNISH PRESS HARMING SECURITY PACT

Helsinki UUSI SUOMI in Finnish 8 Apr 83 p 10

[Text] At the Center Party's YYA [Friendship, Cooperation and Mutual Assistance Pact] seminar held in Helsinki on Thursday, Prof N.I. Lebedev expressed the opinion that press speculations about the YYA are objectively aimed at putting the pact into disrepute and undermining it.

"The results of Soviet-Finnish cooperation based on the YYA convincingly refute the speculations over this pact that occasionally appear in the press. They can only result in misconceptions and protests, even if they are cloaked in the form of "academic" reflections," Lebedev said.

"We are well aware of the fact that such attempts meet with resistance in Finnish political and public circles," Lebedev said and pointed to President Mauno Koivisto's position, according to which the pact is still timely, viable and vital.

Lebedev also asserted that political and public figures have already stated their opinion as to the usefulness of the pact and with regard to a new extension of it in unchanged form before the present expiration date.

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CSO: 3617/115

## COMMUNISTS' INTERNAL FIGHT SHIFTS TO PRESS, LOCAL DISTRICTS

## Stalinist Organ Urges Perspective

Helsinki TIEDONANTAJA in Finnish 15 Apr 83 p 2

[Editorial: "Cracks"]

[Text] The influence of Finland's political parties is disintegrating perhaps more than ever before since the wars. While, for example, the Social Democratic Party's situation is now totally different from what it was at the end of the 1950's when the party split, that party is not necessarily in potentially sounder shape either. The Elanto elections, during which Elanto's Social Democrat majority ignored the recommendations and instructions of their party leaders and established Elanto on an independent basis, resulted in a bad split within the party we have chosen as an example. Who can say with certainty whether such bolting out of harness might not happen in connection with some other issue as well? At any rate Social Democrat leaders have a weak grip on party members. Among them, that crop common to all the parties, which Social Democrat leaders have for a long time now been unwittingly sowing, is being harvested.

Things are also boiling in the Conservative Party. The fight over the chairman's seat is not only, hardly at all, a personality issue. That is, it is not a matter of whether the chairman is charismatic or not. It is a matter of the Conservative Party's moving toward the Right, which also has to be expressed in terms of the person of the chairman. Because of this, Pertti Salolainen has thrown his hat into ring in the race for chairman — hardly merely on his own initiative. We will see what happens in June.

In the KEPU [Center Party] party activity has been in somewhat of a mess for a long time now. Paavo Vayrynen has strengthened his position as chairman, but, led by Virolainen, the backwoodsmen are breathing hard on his neck regardless of what is at issue. At the present time what attitude to adopt toward the Conservative Party as a government coalition partner is under consideration. KEPU leaders apparently also harbor feelings of regret toward the Conservative Party in part because of the pressure Virolainen has publicly exerted on the Conservative Party in favor of and on behalf of the Conservative Party.



The difficulties the People's Democrats and Communists are having are common knowledge. It is certainly not a question of quarreling factions. Such a conclusion is naive. Anyone who is capable of reading, writing, hearing has been able to see that Aalto and certain others want to merge the SKP [Finnish Communist Party] into the SKDL [Finnish People's Democratic League]. SKP Lapland district secretary Suosalo says that he is conducting a massive separation operation in accordance with Aalto's instructions.

As for Kalevi Kivisto, he has on many occasions announced that he supports Social Democrat policy. It is, therefore, not a question of quarreling factions, but of the [bulk of] SKP members, who back preservation of the SKP, against a few who would put an end to the SKP. The situation must be viewed as it is. There is neither any reason for nor danger of self-delusion.

Since there has recently been a lot of talk about the SMP's [Finnish Rural Party] position, we must assert that disputes have already been sown within that party. The party's conservative direction is in sharp contrast with the stand its voters have assumed aimed at a Left-leaning policy. It is only a matter of time before a party war begins.

The party map of Finland is being torn apart because it is out of date. It is only a pity that this is happening at a time when conservative tendencies prevail.

#### Moderate-CP Organ Urges Varied Press

Helsinki KANSAN UUTISET in Finnish 17 Apr 83 p 2

[Editorial: "Down with One-Sidedness"]

[Text] Just a few years ago we still received an accurate picture of the world from the party press. It reported what was bad, what was good, what was right, what was wrong.

Now things are different. A newspaper that was so reliable before now reports on the same item in two, or perhaps even three different ways. The readers are unhappy. The safe model of the world has disappeared.

The party organs, those of the People's Democrats as well, are under the drum-fire of their readers and in part their publisher organizations. A firmer grip on things is now being demanded of them. People are talking of hewing to party lines, by which is meant proclaiming only one view of any one issue.

It has escaped the notice of readers and publishers that the front lines run in new directions with regard to many issues. They no longer necessarily follow party boundaries either, instead even cutting across parties. In the Conservative Party, for example, there are many people in whose opinion environmental protection should come before property rights. However, in the opinion of more conservative Conservatives, property still comes before everything else. On the other hand, among the People's Democrats there are many opinions on nuclear power. In the opinion of some, it is merely a good thing; in the opinion of others, an extremely dangerous one.

In the opinion of some, the present situation is due to the fact that people have reached the limits of their knowledge and can no longer take a stand on issues. The truth is, however, quite different. People now have more and more comprehensive information available to them and that is why they have to choose different viewpoints on even the same issue.

It will certainly be a while before they realize in the SKDL that the present situation is a permanent one. The good old days of one-sidedness are gone. We are now capable of looking at things from different angles. And it is the duty of the newspapers to present them.

The many-sided presentation of issues gives rise to discussion, which makes it easier to reach correct decisions and at best enriches a political party and extends its democracy.

Harping on something is thus not one-sidedness. Harping on matters stems from the fact that newspapers that take a broad, many-sided view of things are courageously performing their basic function as advocates of the interests of the working class. In the performance of that function they need both eyes.

#### Stalinists in Central Area Want Own Paper

Helsinki TIEDONANTAJA in Finnish 21 Apr 83 p 9

[Text] Central Finland SKP members want to solve the party's press problem by immediately founding a party weekly and, as of the beginning of next year, a daily that will appear as the chief organ of the SKP by combining TIEDONANTAJA and KANSAN UUTiset.

Signed by 170 party members, the appeal was submitted to the Politburo yesterday. In the appeal they consider demands that TIEDONANTAJA be terminated and publishing operations in general be reduced to be a mistake.

"Reducing publishing operations or suppressing the consequences produced by an unhealthy situation without going into the reasons for them cannot be a unifying and progressive solution," they assert in the appeal.

Central Finland Communists feel that, unless the content of policy, new challenges to the development of the society and leader-dominated organizational practices "that downright force people to engage in parallel activities, as the Tennila case demonstrates," are interfered with, there will be no prospect for the start of a new growth period.

In the appeal they propose that the Central Committee formulate a program aimed at the 20th Party Congress to be held next year in which the "first steps toward and a timetable for" the building of unity would be concentrated.

## Leading Daily Discusses CP Struggle

Helsinki HELSINGIN SANOMAT in Finnish 24 Apr 83 p 2

[Editorial: "SKP Dispute Continues More Disastrously Than Ever"]

[Text] SKP hopes and intentions to restore unity within the party have again proven to be flawed. The governing Politburo was incapable of even making a proposal to the Central Committee aimed at a solution. As for the Central Committee, it tossed the ball back and increased the Politburo's authority to attempt to restore progress in the party in accordance with the rules.

The conclusions so busily arrived at during the Central Committee meeting in fact came to naught. No unanimous decisions were produced. With a majority resolution the meeting had to again admit that the party's internal conflict had only gotten worse since the same meeting held in March. Nevertheless, the meeting "decisively" rejected a party split and the Stalinists also said the same thing.

The Central Committee could not resolve the essential problem of the press, which involves the greatest problem of parallel operations. That is why the appeal to do away with parallel operations will scarcely produce results now either. The fight will probably only shift more toward the district organizations where they are starting to get ready for the "decisive" party congress to be held a year from now.

Both factions are undoubtedly doing everything they can to get the moderate Communists to participate in that congress. Power is at issue here.

But the growing power struggle is merely heightening the party dispute, which has recently remained more within the bounds of the party than before. Despite the fact that its governing bodies are so strongly controlled by the Communists, not even the SKDL has adopted a firm position on the country's other political parties.

A typical example of this kind of peculiar interpretation of SKP rules is the series of events that occurred in the Lap and district organization. They excluded from participation in party activities a parliamentary representative who had received 15,000 votes in the elections and who is a Communist to the nth degree. He has now also been excluded from the parliamentary delegation. These actions are absolutely incomprehensible in a party in which both factions vie with one another in talking of unification and preventing a split.

Many other recent occurrences have demonstrated that control over events has slipped out of the hands of the party leaders. It is getting to be more and more obvious that, as party chairman, Jouko Kajanoja is incapable of unifying his party.

Large-scale and persistent divisive situations within parties, like the SKP dispute, do not generally benefit Finland's political circumstances. As in

this case, they may last for an incalculably long time. Every division in a party's constituency only makes the handling of national affairs more difficult.

#### Helsinki District Purges Stalinists

Helsinki HELSINGIN SANOMAT in Finnish 24 Apr 83 p 9

[Text] At the SKP Helsinki District district meeting on Saturday, they elected a district committee that represents an almost purely moderate line. Only one so-called Stalinist representative got onto the 20-member district committee following the vote, whereas four of them were on the district committee before.

The district meeting laid emphasis on the implementation of the resolutions adopted by the SKP Central Committee, which met on Friday. The district committee was obliged to act in such a way that "those who have participated in the organization of parallel activities not be chosen to occupy positions of trust."

Former SKP chairman Aarne Saarinen felt that the article on SKP Lapland District affairs, published this week in PRAVDA, the chief organ of the Communist Party of the Soviet Union, might jeopardize the growth of party unity.

At his party's Helsinki District meeting on Saturday, Saarinen said that PRAVDA's appraisal of first secretary Arvo Aalto's actions "is erroneous and quite clearly supports the witch hunt Stalinists on the Central Committee launched against Comrade Aalto many years ago."

"The matter is, however, of wider importance and influence than [a] personal [vendetta]. Specifically, I don't believe that articles of that sort in the organ of our great and respected brother party can in any way contribute to the advancement of SKP unity."

#### Vaasa District Defeats Stalinists

Helsinki HELSINGIN SANOMAT in Finnish 25 Apr 83 p 14

[Text] At the SKP Vaasa District meeting on Sunday, they reduced the party's Stalinist representation on the district committee to half of what it was. Two Stalinists got onto the 20-member district committee, whereas there were four of them before.

The reduction in the number of Stalinists in the governing bodies of those districts controlled by the moderates began on Saturday in Helsinki. Only one Stalinist was left on the Helsinki District Committee.

The purge of the districts is viewed as being due to the fact that the SKP Central Committee was incapable of reaching any essential decisions on Friday on putting an end to the shadow activities of the Stalinists.

In the Vaasa District the situation is an odd one in that the party's moderate majority dominates the SKP district, but the election district's only Communist representative in Parliament, Sten Soderstrom, is what he is today because of a heavy concentration of Stalinist votes.

The SKDL socialists have established their own section in Kuopio. The local association in question is the eleventh in succession. Member of Parliament Lauha Mannisto was one of those who called for the founding meeting.

In its public statement, the local association states that internal democracy must be restored to the party and that, instead of personal issues of secondary importance and theoretical hairsplitting, they must get to work on taking care of the remaining affairs of their constituents.

According to the founders of the association, the local organization will not overlap the SKDL primary organizations. Nor is there any question of the socialists' founding their own party.

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## BRIEFS

USSR'S APN CONDEMNIS PUBLISHER—The Soviet news agency, APN, regards book publisher WSOY's plans to publish a new edition of Hitler's "Mein Kampf" as ill-considered. WSOY published Hitler's "Mein Kampf" in 1942. That edition has long since been sold out and, according to predictions for the fall season, a new edition will appear on the market in September. Among others, APN commentator Vladimir Molchanov claims that WSOY's reasons for publishing "Mein Kampf" are not convincing. He singles out WSOY's idea that the younger generation too should get documentary information on Hitler's ideology. In his article Molchanov asks whether WSOY has made it clear to itself that what is involved is the publication of dangerous Nazi ideas. He goes on to ask whether the publishers of the work are not afraid that familiarity with this book known as the Nazi bible will lead some young Finns to admire the power, arrogance and scorn of sympathy for one's fellow man which the National Socialist ideology teaches. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 21 Apr 83 p 23] 11466

ISRAEL 'DISAPPOINTED' OVER PLO OFFICE—On Thursday the Israeli Government expressed its official concern and disappointment over the fact that the Palestine Liberation Organization (PLO) has been allowed to establish an information office in Finland. On Thursday Israeli Ambassador Yehuda Horan transmitted the government of his country's position to Administrative Undersecretary of State Ulf-Erik Slotte at the Ministry of Foreign Affairs. The Israeli ambassador's Thursday communique states that "particularly now, when efforts to achieve peace in our region have been further increased, an artificial reassessment of the terrorist organization's international position arouses more surprise than before." [Text] [Helsinki HELSINGIN SANOMAT in Finnish 22 Apr 83 p 17] 11466

LIBERALS TO CONTINUE ORGANIZATION—The Liberal Party (LKP) will continue to engage in its joint activity with the Center Party. This is what the LKP Executive Committee decided on Saturday in Helsinki. The committee felt that the Liberals' most important task right now is to act on behalf of underpaid officials and offeworkers. The LKP gained no seats in Parliament in the elections. In the position it adopted the Executive Committee stressed the preservation of freedom of telecommunications. In the committee's opinion telecommunications should not be a state monopoly. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 17 Apr 83 p 10] 11466

SINISALO PROPOSES CP PRESS CHANGE—According to the party's minority-wing leader, Taisto Sinisalo, the Finnish Communist Party's (SKP) new chief organ will begin publication as a weekly at the beginning of next year. Sinisalo proposes that the content and circulation operations of the newspaper be studied in joint party committees composed of party leaders and the editorial staffs of the existing newspapers, KANSAN UUTISET and TIEDONANTAJA. According to Sinisalo, TIEDONANTAJA is prepared to go ahead with this, even if it must do so as the sole newspaper. Speaking in Helsinki, Sinisalo reminded his listeners that, unlike the other parties, the SKP does not have an independent organ. According to him, SKDL [Finnish People's Democratic League] socialists' attempt to use the People's Democrat press against the SKP is causing problems. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 15 Apr 83 p 13] 11466

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## GALLOIS DISCUSSES U.S., SOVIET STRATEGY IN MILITARIZING SPACE

Paris LE NOUVEL ECONOMISTE in French 18 Apr 83 p 68

[Interview with Pierre Gallois, adviser to Marcel Dassault, by Philippe Gazier: "Mr Reagan Is Taking Chances," place and date not given]

[Text] In unveiling his new strategic design (a defensive arsenal that would shelter United States territories from enemy missiles), President Reagan has troubled the still waters of the status quo which has, for decades, prevailed in East-West relations.

NOUVEL ECONOMISTE asked Gen Pierre Gallois, an international expert, to analyze the new American design for us.

NOUVEL ECONOMISTE: How do you interpret President Ronald Reagan's latest policy bombshell?

Pierre Gallois: It seems clear that the President of the United States was trying to fire viewers' imaginations, to deliver something of a psychological shock, even as Congress was balking at increasing his defense budget. Well, in a democracy, you must somehow manage to find the money to finance massive programs. The Pentagon experts who have already been deeply involved in studying the notion of the "high frontier" for 2 years, gave him the chance to strike hard. Tomorrow, whoever can hold space holds the world.

The aim of the new strategy is to be able to detect the launch of any enemy intercontinental missile. You know that, in the initial stage of its climb, a ballistic missile rises slowly at first, like a space launch, and emits a vast amount of heat as it rises. That makes it "detectable" by infrared sensors.

NOUVEL ECONOMISTE: Does the new American strategy currently command the technological means for achieving its ambitions?

Pierre Gallois: It is true that the Americans have the clear impression that they have fallen behind in space. Of course, they

have walked on the moon and they have their space shuttles. But the Soviets, who are launching a satellite every 3 or 4 days, have made considerable progress, be it in living in space (including excursions), docking, or in space-craft technology. In the startup phase, the Americans could use everything they have on their shelves. They could put spy satellites into geostatic orbit and program them to keep constant watch for any launch of large enemy missiles, and place several hundred space platforms in low orbit carrying seeker-head rockets (the kind now in use on military aircraft). The spy satellite would instantly send its data to whichever of the fire satellites was in the best position in relation to the missile's trajectory.

NOUVEL ECONOMISTE: What if the rockets should miss their target?

Pierre Gallois: The satellite system -- which will cost, according to preliminary estimates, somewhere in the neighborhood of \$30 billion -- must have, in order to be secure, a backup of active defense from American silos, using barrage fire that would be automatically triggered by radar, and again relying on conventional weapons.

NOUVEL ECONOMISTE: Because the new arsenal won't include the current nuclear weaponry?

Pierre Gallois: I don't think so. No defense is airtight. And so both powers will hang onto their retaliatory weapons, particularly their submarines.

NOUVEL ECONOMISTE: And in the second phase?

Pierre Gallois: Then will be the time to move to more advanced techniques, using the destructive properties of laser beams. These beams could be shot from heavily hardened earth stations, picked up by large orbiting platforms, which would be constantly scanning the ground and which would refocus the lasers on any ballistic missile taking off, or they could be fired directly from nuclear-powered satellites. Equipped with a solar power system and huge reflecting mirrors, these orbiting stations would of course be assembled in space.

NOUVEL ECONOMISTE: The Soviets recently demonstrated their ability to kill a hostile satellite. Won't these gigantic American stations be extremely vulnerable?

Pierre Gallois: No, because they will also have their own system to protect them against any attack.

NOUVEL ECONOMISTE: Couldn't some evasive maneuvers be devised so that the missile could dodge these "death-rays?"

Pierre Gallois: Oh, yes, of course. The engineers will devise some way to armor them. For just about the equivalent weight, the Soviets could settle for leaving three or four nuclear warheads on their SS-18s (instead of ten) and beefing up the missile's hull and frame. They could also come up with highly reflecting materials that would bounce the laser beams right off. Or they could modify the missile's propulsion system so that it would spin rapidly around its own axis throughout its flight...

NOUVEL ECONOMISTE: No absolute defense system, then?

Pierre Gallois: There probably is none. It remains to be seen whether the Soviet Union would ever permit the first-system satellites, even without nuclear weapons, to orbit over their territory, or that they would allow the giant platforms planned for the year 2000 to neutralize their strategic arsenal right round the clock. So in seeking to militarize space, Mr Reagan is taking some chances.

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## PAPER DISCUSSES LONG-TERM DEFENSE PLAN, URGES MORE ARMY FUNDS

Stockholm DAGENS NYHETER in Swedish 29 Apr 83 p 2

[Editorial by Svante Nycander: "Security First"]

[Text] The defense debate on Thursday [28 April] gave convincing expression to how strongly Sweden is reacting to Soviet violations of our territory. When it is really necessary the parties are still capable of laying disputed issues aside and emphasizing the important matters they are agreed on.

But what weighs most heavily, in spite of everything, is not what we say but what we actually do. In the past there has been a lack of any indication of support for our security policy. Now political decisions are needed that will palpably increase our potential for preventing encroachments and violations.

The antisubmarine defense commission, according to its terms of reference, was to consider an improvement in the protection against foreign submarines by "re-allotment of resources." What the commission proposes costs 200 to 250 million kroner during the current defense period. Is it possible to save that much on other things within military defense? That seems to be the government's hope, but the question is still open.

Not all defense costs are accessible for economy measures within one defense period. Short-sighted interventions are at the expense of such things as plans for maneuvers and materiel procurement. In relation to the armed forces' fixed costs and peacetime organization these variable plans always tend to be too low. The peacetime organization is rooted in strong regional economic interests. For that reason it is politically easier to cut down the variable items, which are "only" supported by considerations of military effectiveness.

The 1982 defense resolution was based on a unanimous report of the defense committee on Sweden's security policy situation. According to the committee the Nordic region has acquired an increasing strategic importance to the two superpowers. The demands on our capacity for standing up against pressures and for repelling violations has become stronger, and we must be able to mobilize military units more quickly in case of surprise attacks.

Precisely the ability to act quickly, to repel an incursion even before it gets started, decisively affects our chances of keeping aloof from a conflict. The



belief in that ability presupposes among other things that we protect our territory effectively in peacetime. That means that within the defense budget we should give priority to highly mobile units with high preparedness.

Unfortunately, it is easiest to economize on precisely what should be valued most highly. One example is the Social Democrats' plans to disband one of our 12 aerial pursuit divisions. This means scrapping the Draken plan, which would be completely usable for a long time. We are getting rid of a unit with high preparedness.

The defense resolution of June 1982 aimed at establishing a balance between different defense functions. That balance is now being upset by economy resolutions that have an unequal effect, as we are already prepared now to recheck the entire peacetime organization. We are losing what is the very point of the 5-year defense resolution, namely the long-term planning.

The Ministry of Defense is not being compensated in principle for the devaluation and the rise in the dollar exchange rate. In the budget the defense limit has been lowered by 200 million kronor for each of the 5 years. The price compensation funds of 100 million kronor are being withheld. According to the new finance plan the Ministry of Defense will not be compensated for more than up to 4 percent inflation a year regardless of the actual movement of prices, and this is said to be a part of the government's attempt to moderate the expected inflation. Those who are planning the armed forces' purchases are to be inspired with wishful thinking and thus help to hold inflation down!

Shall the Ministry of Defense, on top of all that, be required to finance an increased protection against foreign submarines by economies?

We do not yet know what a satisfactory protection of our territorial waters will cost. There are several ways of figuring it. In this area we do not have complete control ourselves, and we may also meet challenges of a different kind that raise the demands on our preparedness. The reallocation of resources that is needed to protect our neutrality and our territory even in peacetime is not of a casual, short-term nature. It is a matter of a long-term need that has a connection with developments in arms technology. That must guide the planning of economy measures.

It would be wise of us not to wait until 1987 to reexamine the peacetime organization of the army, where there is a great overcapacity. If we must save on defense, we can no longer afford to make an exception of the army's compulsory military training.

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## ARMED FORCES MAY FACE PROBLEM IN GETTING ANTI-SUB FUNDS

Stockholm DAGENS NYHETER in Swedish 3 May 83 p 2

[Commentary by Per Borg and Bengt Gustafsson]

[Text] It is undeniable that the armed forces have a serious liquidity situation. That is what Secretary of State Per Borg and Ministerial Counselor Bengt Gustafsson say in their discussion here of the armed forces' liquidity situation in regard to strengthening anti-submarine resources as proposed by the submarine commission. The financing question--i.e., where the money will be taken from--must not prevent the commission's recommendation from being carried out, however, according to Borg and Gustafsson.

The consequences of the submarine violations will quite rightly play an important part in our security and defense policy debate for some years to come. As the antisubmarine defense commission emphasized, the question of anti-submarine defense should also be important in connection with the next defense resolution in 1987.

In the debate, unity on our security policy line was the dominating element.

In certain foreign papers, however, the Swedish neutrality line has come into question, and it has been said that the violations show how exposed we are as an alliance-free nation. In the Swedish press, too, some statements have been made that can be interpreted as meaning that we should reexamine our security policy line.

These scattered voices bring the demand for a firm line into relief. The most important thing is for us to hold fast consistently to our security policy line. Lack of credibility is the worst danger to our security.

Our armed forces should support that credibility. To judge by some things that have come out in the newspapers, our armed forces are in such a serious economic crisis that the 1982 defense resolution is in danger.

As concerns the strength of the armed forces in war, the 1982 resolution represents a certain strengthening as compared to the 1977 defense resolution. Thus the plans include reorganization of one infantry brigade as a Norrland brigade,

extension of the life of four Draken pursuit divisions, a program of anti-submarine measures, the so-called 200-million-kronor package, and efforts to reinforce the readiness to meet sudden changes in the course of events.

This was made possible at a practically unchanged economic level by the fact that the resolution also contained a big efficiency program, which will lead in the next 10-year period to savings in the peacetime organization totaling over 8 billion kronor.

At the government's request, the Riksdag has now adopted a decision to reduce the original planned limit by 200 million kronor a year. The total amount for the 5-year defense planning period is about 90 billion kronor. The reduction thus amounts to a good 1 percent. The government's general policy of economy measures, of course, has an additional effect on costs within the armed forces, especially the devaluation and the MOMS [value-added tax] increase. On top of all that we now have the antisubmarine defense commission's recommendation of 100-200 million kronor.

It will be hard to say today exactly how great the need for replanning is. The figures given in the press seem to presuppose a maximally negative effect on the armed forces from the relationship between the costs and the price-setting measures that will gradually be taken. Drawing the conclusion from these hypotheses that the main lines of the 1982 defense resolution will not be implemented is premature.

Even minor economies, however, have direct repercussions on materiel procurement and hence on the strength and quality of the wartime organization. In the way of economies, the armed forces have all they can do within their budget just in carrying out the aforementioned efficiency program. No changes representing further such savings can be made in the near future. For that reason the government has proposed--and has now gotten the Riksdag's agreement--to cut out one of the four Draken divisions. It may prove necessary to make additional adjustments in other fields to achieve the reduction by 200 million kronor a year that the Riksdag has now decided on.

It is this occasion to revert to the long-term effects under the current annual review of the 5-year plan. Only then can we survey the situation in all its aspects.

But what on the other hand is indisputable is that the armed forces now have a serious liquidity situation. It is connected with the combination of the previous government's withholding 500 million kronor from the price-regulation measures of 1981-82, the increases in costs that have already taken place due to the rapidly increasing dollar exchange rate in 1981-82, the devaluation of the fall of 1982, and the MOMS increase as of 1 January, together with the budget reduction that has now been adopted as of 1 July 1983.

The government has put itself behind the antisubmarine defense commission's recommendations for steps to be taken and said that they shall be carried out as soon as possible in view of the practical considerations. The financing question, of course, must not prevent this.

The Ministry of Defense is now analyzing the liquidity situation and will propose the measures required to carry out the resolution already adopted and to begin implementation of the commission's recommendations concerning reinforcement of the antisubmarine defense function.

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## LEADERS CONCERNED OVER FUNDING FOR ARMY MATERIEL

## Frontier Protection Undermined

Stockholm DAGENS NYHETER in Swedish 29 Apr 83 p 10

[Article by Harald Hamrin]

[Text] The Swedish armed forces are about to be hit by very extensive cuts in the future wartime organization. Planned materiel procurements must be postponed or thrown out altogether. The lowered ambition will have the consequence that in the event of war Sweden may conduct the fight deep within its territory instead of meeting and checking an attack near our borders and coasts.

It was a gloomy picture that the top military leadership presented at a meeting Thursday in the "Bastion" in Stockholm. The meeting was participated in by Gen Lennart Ljung, commander in chief of the armed forces, and his closest colleagues, as well as the commanding officers of the army, air force, navy, the defense materiel administration, and the defense research establishment.

The meeting was a regular monthly meeting. But it was the first time this year that it was devoted to a joint run-through of the material that will form the basis for the "program plan" in the fall--Commander in Chief 84-89--and it took place at the same time that the Riksdag was debating, among other things, the economic consequences of the antisubmarine defense commission's recommendations for a strengthened antisubmarine defense.

"We are normally accustomed to having economic problems in connection with the budget work," Major General Lars-Bertil Persson, chief of the Armed Forces Staff Planning Board and simultaneously acting Chief of Staff of the Armed Forces, told DAGENS NYHETER after the Thursday meeting. "But this year we have problems of an order of magnitude that I cannot remember our having before in 13 years' work with such matters."

## Undermined

The same appraisal is made in the commander in chief's planning directive preceding the fall program sheet, which DAGENS NYHETER got to see. The picture of a undermined wartime organization is further strengthened, according to DAGENS NYHETER's information, by documents stamped "Secret" and "Top Secret," whose contents for that reason cannot be divulged.

"We have obvious problems," one military source tells DAGENS NYHETER with reference to the Swedish armed forces' wartime organization. "We are squeezed until it hurts."

The anxiety within "the Bastion" was so great at one time last winter, according to DAGENS NYHETER's information, that there was thought of asking for a new parliamentary defense study less than a year after the Riksdag had adopted, in the spring of 1982, a new 5-year defense plan for 1982-1987.

Within the Bastion there are also complaints that the general debate in the mass media and in political quarters has so far had to do chiefly with the armed forces' future peacetime organization. It is understood that it is perhaps natural that it has happened that way. It is in the peacetime organization that cutbacks seem most obvious in the short term through, e.g., reductions in personnel and disbanding units.

"But now we must deal with the wartime organization," says General Persson. "The government has already said that *per se*, when there was talk of postponing delivery of antitank weapons to the army and of suppression of the 12th Pursuit Division within the air force, etc. But what we may wonder is whether the government has weighed all this carefully. No, sudden reductions hit in random fashion; money must be gotten wherever it can be found."

According to General Persson there is a shortage of between 2 billion and 4 billion kronor as compared to the level assumed in last year's defense resolution. Other sources within the "Bastion" talk about a shortage of 4 billion to 5 billion kronor.

By the government's supplementary bill last week the armed forces will be hit again if inflation exceeds the 4 percent that the government has set as the upper limit for future price compensation. Each percentage point of inflation above the 4 percent would cost the armed forces ca. 120 million kronor.

"If that happens we shall be in very bad shape," says General Persson. "But I have no occasion to paint a gloomy picture of things. I must assume that the government will succeed in keeping inflation under control."

#### Broken to Pieces

But other military sources say outright that if inflation exceeds 4 percent, "it will mean that the whole budget we got in the 1982 defense resolution is broken to pieces.

"That would have consequences for the wartime organization that we cannot overlook today."

Some of that uneasiness also shows through in the commander in chief's planning directive "ÖB [Commander in Chief] '84-'89", which is expected to be issued about the end of September or first of October.

"The defense cutbacks have meant a lowered capacity for mobilizing forces to meet and stop attacks near our coasts and borders," according to the planning



directive. "This has increased the risk that we shall lag behind in several places and so be forced to do battle deep within our territory. The reduced operational effectiveness has a negative effect on the peace-keeping potential of the armed forces."

The planning directive also states that for a number of reasons (see the attached special article) the armed forces have gotten into "a strained liquidity situation" during the current fiscal year.

"This situation compels extensive reductions and replanning," it goes on. "A number of new orders in accordance with the budget resolution (1982) and the defense bill for 1983/1984 that are essential to the wartime organization must be postponed and in certain cases dropped entirely. The consequences for the wartime organization will be vast."

All three branches of the armed forces' wartime organization will be hit. This applies, e.g., to weapons and mine materiel for the navy, operational control systems and base systems for the air force, and antitank weapons and combat vehicles for the army. In the peacetime organization, construction work will also be further cut back beyond what was planned earlier.

Some of these cuts and/or postponements were foreshadowed as early as the government's budget bill in January 1983.

"But in all probability they will be more extensive than is imagined in the Government Offices," a military source tells DAGENS NYHETER.

Even in military circles, however, it is admitted that the picture is not entirely black.

"There is a lot that is good in the latest defense resolution," they say, and point, e.g., to improvements in the emergency system in the army and to the renovation of antiaircraft defense.

General Persson also emphasizes that several features that represented a rethinking in last year's defense resolution will be retained. This applies to measures to heighten preparedness in the face of the increased risk of surprise attacks. And it applies to the JAS project, which is essential to the credibility of the Swedish neutrality policy.

On the other hand, he is strongly critical of the government for withdrawing 100 million kronor in what is called "price regulation money."

"As a professional I cannot help being surprised that on one day--Tuesday, in connection with the antisubmarine defense commission--there is talk of how unprecedentedly important it is to take certain measures, and on Thursday, two days later, they say the armed forces are to be cut by another 100 million kronor. That is a little hard for me to swallow."

## Five Billion Kronor Short

Stockholm DAGENS NYHETER in Swedish 29 Apr 83 p 10

[Text] In the opinion of the military, there is a shortage of between 4 billion and 5 billion kronor in the 1982-1987 long-term defense budget.

The amount, to be sure, does not represent more than ca. 5 percent of the total defense budget, a good 90 billion, during the current 5-year period. But a large part of this money is already accounted for in the form of pay, operating costs, materiel orders already contracted for, etc.

Here is how the figure of 5 billion kronor was arrived at:

- The worsened exchange rate against the dollar and the devaluation of the fall of 1982 are costing defense ca. 600 million kronor just during the first year of the 5-year period.
- The MOMS [value-added tax] increase of the fall of 1982 will cost 100 million kronor during each and every one of the 5 years, or a total of 500 million.
- For the current fiscal year 100 million kronor is being withheld in so-called price-compensation funds.
- In addition, in fiscal year 1981-1982 the Fälldin government took away 550 million of the price-regulation funds. This was done so late in the year that the Ministry of Defense was forced to exceed its budget by 230 million kronor, an amount that burdens the Ministry of Defense during this fiscal year.
- In this year's budget bill the limit was lowered by 200 million kronor as compared to the 1982 defense resolution.

With regard to the 100 million kronor of price-compensation money withheld, a military source acknowledges that last fall a fairer system for compensating for the effects of inflation was adopted--the "FPI" (defense price index), which replaced the earlier NPI (net price index).

"But our getting the new FPI was one of the reasons that we agreed to a defense budget reduction of 450 million kronor," DAGENS NYHETER was told by a military source.

The commander in chief's planning directive of the end of March states with no beating about the bush that "it is noteworthy and disturbing that the government is thus cutting the ground from under the FPI system less than a year after its introduction."

On top of these current and future austerity measures, several sources within the "Bastion" assert, the armed forces suffered serious cutbacks during the 1960's and 1970's. Defense was the only large part of the public sector that was reduced during the decade.

According to the Fälldin government's "economy bill" of the spring of 1982 the armed forces' reduction in volume between 1963 and 1977 totaled 6 percent. During the same period the *increase* in volume of public consumption averaged 77 percent.

Defense also decreased as a percentage of the GNP (gross national product) during the 1971-1982 decade from 3.8 to 3.3 percent.

#### Several Weaknesses

Stockholm DAGENS NYHETER in Swedish 29 Apr 83 p 10

[text] As far back as this year's budget bill the Ministry of Defense noted a number of possible or probable cutbacks in the wartime organization.

Thus the number of pursuit divisions in the air force will be cut down from 12 to 11. The question of a fifth "Norrland brigade" is to be tested out in the continued planning. The four minesweeping vessels of the M 80 type that the commander in chief wants in addition to the two that are now under construction in Karlskrona are also involved.

The bill also says that the government "expects that certain construction work and material procurement will be postponed."

In the work now being done on the fall program plan, ÖB 84-89, there is further specification of the cutbacks that may be considered in the form of postponed orders or orders that must be deferred to a very uncertain future.

■ Orders for additional minesweeping vessels (M 80's) besides the two already ordered will probably be deferred until the end of the 1980's, i.e. until after the next defense resolution.

The antiship defense commission, on the other hand, says in its report *ÖB 84-89* that all six M 80 vessels should be built as soon as possible.

■ Procurement of new light coastal missiles cannot be carried out "for a long time."

■ A number of new antitank weapons cannot be procured within the planned time or in the planned number. This involves, e.g., antitank grenade launchers, mines, antitank helicopters, new light combat vehicles, etc.

■ The fire-control system for the air force cannot be modernized as planned. New radar stations, to be sure, have already been purchased. But the next stage in the modernization of the "spray system"--communications centers and spray centers--will be postponed. This means, according to one source, that "the whole system will get out of balance."

■ At the bases, too, delays will take place. At present the construction of new short runways for the JA 37 Viggen is under way. But the purchase of tank trucks, reconnaissance equipment, and radio for the control officers will "lie behind."

- Possibly ammunition of various kinds cannot be bought in the planned amounts.

In the commander in chief's planning directive for 1984-1989 it is pointed out in this connection that these changes "entail consequences for employment in Swedish industry."

In summary the commander in chief returns to a protest that was presented in last fall's program plan (ÖB 83-88): the 1982 defense resolution should not have been at the program-plan level decided on by the government and the Riksdag, but at the 400-million-kronor higher level proposed by the ÖB.

"Subsequent developments have further reinforced that view."

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## NAVY GETS INCREASED FUNDS FOR SUBMARINE CHASING ; JAS FUNDED

Stockholm DAGENS NYHETER in Swedish 29 Apr 83 p 6

[Article by Dick Ljungberg: "Navy Gets 100 Million"

[Text] On Thursday [28 April] the Riksdag confirmed the decision that the Swedish warplane JAS/Gripen [JAS = pursuit/assault/reconnaissance plane; equivalent to the NATO term MRCA = multi-rôle combat aircraft] shall be manufactured. At the same time Anders Thunborg, minister of defense, indicated that the government can conceivably provide 100 million kronor of extra money to carry out the antisubmarine defense commission's proposals for better protection against violations of Swedish waters.

It was--in the shadow of the Hårsfjärd report--a quiet debate, in which most of the speakers noted the great unanimity that exists on Swedish security policy and the significance of that unanimity for other countries' confidence in our neutrality.

It was all the stormier in the gallery. After the debate was interrupted twice by loud protests against the JAS, Speaker Ingemund Bengtsson threatened to have the entire visitors' gallery cleared. Previously, demonstrators had succeeded in getting all the way in to the lobby of the Riksdag with banners.

## Moderates Protest

Of the party leaders, Ulf Adelsohn and Lars Werner had indicated in advance that they intended to take part in the debate. But if one takes part, generally all take part, and so Thorbjörn Fälldin and Ola Ullsten also spoke.

But it was quite polite. It was only Lars Werner that offered a rebuttal to the minister of defense, and that, of course, concerned the JAS plan.

The antisubmarine defense commission proposed measures against new violations at a cost of an extra 200-250 million kronor during a 5-year period. According to the directive this money is to be gotten by readjustments within the existing defense budget.

But the Moderates protested against this from the beginning.

"The submarine threat reflects the increased tension in our part of the world. The fact that Swedish territory attracts such strong interest on the part of the Warsaw Pact sharpens the demands on the whole of our armed forces," said Adelsohn.

#### 'Fresh Money'

If the money for intensified submarine chasing is taken from other areas within the armed forces there will be gaps, e.g. in antiaircraft defense or in the defense of Norrland, which the Warsaw Pact will certainly try to exploit, he said.

The 250 million kronor should therefore be allotted in addition to the defense budget.

Thorbjörn Fälldin made a very short speech. He said that nobody today has grounds for thinking that the addition to submarine chasing can be made up by readjustments within the defense budget.

"But my judgment is that in all essentials fresh money is needed," he said.

"All the talk about our will to defend ourselves against the Soviet spy submarines will give the impression of empty chitchat if we are not willing to give the armed forces the resources to reinforce their submarine chasing powerfully," said Ola Ullsten.

"If the armed forces are to be given new missions they must also be given new resources. If not, we must be prepared to relieve the armed forces of other missions and costs."

#### Hundred Million Kronor

Anders Thunborg said that within a short time he will give instructions to the commander in chief of the armed forces that the antisubmarine defense commission's recommendations are to be the basis for defense planning for the period from 1984-1985 to 1988-1989.

Bror Stefensson, chief of staff of the armed forces, wrote Wednesday [27 April] to the government that the armed forces should get this 100 million kronor, too, since the liquidity is already under heavy pressure.

"The decision will be made in June," said Thunborg. "The government will now make an analysis of the planning and liquidity situation, etc., within the ministry of defense, including how the price-regulating measures should be handled.

"In doing so, the government will especially consider how the liquidity situation affects the possibilities of carrying out the antisubmarine defense commission's recommendations," he said.

#### Planes From Abroad

Concerning the JAS plane, Thunborg said that from the purely military point of view it will suffice if the decision is reached in 1987-1988. Such a postponement has been asked for by 12 Social Democrats in the Riksdag.



"But by that time there will no longer be any Swedish development capacity. Then we will be compelled to buy planes from abroad. There is nothing to indicate that such an alternative will be cheaper. We lose competence and the dependence on other countries increases."

Lars Werner felt that Thunborg's argument for the JAS was weak. The JAS depends to a vital extent on materiel from the United States.

"With the JAS decision our defense continues to be an expensive copy of a great-power defense," said Werner. "Instead, more money should be invested, e.g., in civil defense, economic defense, and protection of our frontiers."

Werner concurred in the protests against the Soviet Union's violations, but warned against those who are attempting to whip up a cold-war mood in the country.

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## CESSNA 404 TITAN TO BE USED IN SUBMARINE SEARCHING

Stockholm DAGENS NYHETER in Swedish 5 May 83 p 5

[Article by Ingemar Löfgren: "Plan for Radar and Infrared Camera"]

[Text] The civilian plane Cessna 404 Titan will be the navy's new antisubmarine plane. Wednesday [4 May] the armed forces materiel division and the airline company Swedair signed an agreement that the plane will be specially equipped and delivered on 1 June for testing. This is the first practical measure pursuant to the antisubmarine defense commission's report.

"We believe that this can be a small contribution to the overall Swedish anti-submarine defense system," DAGENS NYHETER was told by Peter Lundberg, plane director in the armed forces materiel division. "We are taking what we can get right now. And our choosing Swedair is due to the fact that it is the simplest and cheapest way for us to feel our way forward."

The armed forces materiel division has negotiated with the airline company every day for several weeks on the instructions of the commanding admiral of the navy.

Yesterday the two parties signed, evidently speeded up by Sven Andersson's and the antisubmarine defense commission's report.

In the report the commission points out the need for light submarine-search planes with radar equipment, infrared search equipment, and hydrophone buoy systems. The navy has had no chance of such a plan until now.

Première in June

At the armed forces materiel division and Swedair it is believed that the Cessna 404 Titan can be developed so that it will gradually meet the commission's requirements.

The plane will now be remodeled at Swedair's workshops in Bromma. Electronic equipment from the United States, England, and Norway will be installed, and on 1 June the first and for the time being the only plane will be delivered to the navy for testing.

According to the contract the Ministry of Defense has committed itself to pay at least a million kroner for leasing, modifications, and installations during the 7-month testing period.

If the tests turn out well the Ministry of Defense can pay for a new long-term lease or buy at least three specially equipped planes for military purposes.

#### Long Flight Time

The advantage of a plane of the Cessna type is that it can stay in the air almost 8 hours without landing. This gives it greater range than a helicopter, which can stay up only a few hours at best without refueling.

Moreover, the plane, counting fuel and maintenance, is cheaper--about 1,200 kroner an hour. A helicopter costs over twice as much.

The purpose of a light submarine-search plane is to patrol a large area quickly. If it discovers anything suspicious on its radar screens the helicopters, which are superior for precision locating, will be called in.

The Cessna 404 Titan is a civilian plane with nine passenger seats. Everything in the cabin will now be exchanged for 400 kg of electronic equipment.

Among other things an American infrared detector will be installed in the nose which looks forward at an angle. The detector will see temperature differences in the water. If there is a submarine below the surface of the water it throws cold water from the depths up to the warmer surface water. The temperature difference is shown on a screen in the cabin [of the plane].

#### Norwegian Prototype

Under the tail of the plane an infrared camera will be installed that works in the same way as the one in the nose. The difference is that this camera, which, by the way, is also on Viggen, looks downward vertically.

Under the middle of the body of the plane an ordinary reconnaissance radar will be mounted, and at the extreme end of the tail a Decca navigator.

The Cessna 404 Titan project is an attempt to come as close as possible to the Norwegian plane Orion, a plane that can drop depth bombs and set out floating hydrophones.

The possibility of dropping floating hydrophones from the Cessna exists today. When it comes to depth bombs it will be a little more difficult. For at Swedair they have been unwilling to alter the plane so much until it is known that the navy really wants the plane. For if the navy is not satisfied after the testing, the plane will be returned to Swedair for civil aviation use.

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## GOVERNMENT REPORTEDLY TO MODIFY CONSTITUTIONAL COURT

Madrid EL ALCAZAR in Spanish 14 Apr 83 p 7

[Article by Jesus Maria Palacios: "Government Insists on Modifying Constitutional Court"]

[Text] A storm is brewing, with ever increasing intensity, around the Constitutional Court. Serious accusations made by the opposition on the occasion of the completion of the first 100 days of socialist administration, in connect with the fact that the government was exerting pressure on the Constitutional Court, sometimes to the point of being on the fringe of the law, are creating a split of incalculable dimensions which at the very least could seriously affect various constitutional organizations and definitely the Constitutional Court, one of the most important ones, which by virtue of its character and principles operates on the basis of absolute independence.

## Unrest Related to Leaks

To the problems amassed by the reinstatement or partial confirmation of four of the 12 judges who comprise the court must be added the interest, not voiced but certainly present, of the executive in controlling the operation of the High Court. The straw that breaks the camel's back must be the decision adopted by the Constitutional Court to accept for deliberation the right of petition, and therefore that of prior appeal of unconstitutionality presented by the Popular Group and Catalan Minority against the modification of the local electoral law. To this could be added the increasing level of friction and confrontation among the judges who comprise the court. Regarding this we call attention to the disturbance produced in the inner recesses of the court itself by leaks (deliberations and voting are secret and behind closed doors) to a certain newspaper of the outcome of the voting on the right of petition regarding the local electoral law, which having been tied at six, as is well known, the deciding vote cast by the court's president, Garcia Pelayo, determined its admission for deliberation, as a result of which decision, if the convocation of the local elections for next 8 May is not suspended, the decree pronounced by the Constitutional Court will annul the reform that was approved involving the appointment of the provincial representative and would also censure the government for having published in the BOE The convocation of local elections without honoring the 3-day period that the law provides for presenting prior appeals of unconstitutionality.

Not long ago short news items spread the word of a possible confrontation between the government and the Constitutional Court, which has not been denied, and barely 48 hours ago President Gonzalez received the president of the Constitutional Court, Manuel Garcia Pelayo, at the Moncloa residence. During the interview, which lasted over 2 hours, some matters were discussed whose resolution is of great importance to the political process, as can be inferred from the report provided by EFE, the government's official agency. The truth is that talk overheard in the halls of the Constitutional Court enhances the proliferating rumors that the government is considering modifying the Organic Law that regulates the functioning of the High Court.

#### Modify Article 79

Despite the facts that at the Ministry of Justice and the Ministry of the Presidency they denied knowledge of any action and that the government's secretary for relations with the Cortes and legislative coordination, Virgilio Zapatero, pointed out to EL ALCAZAR that at issue is a rumor unrelated to the government's legislative activities, "the judicial confrontation that exists as a result of the first major defeat suffered by the government has opened a path of friction and inequality which the executive believes to be judicial insecurity and which, according to reliable sources, points to the modification of Article 79 of the organic law of the Constitutional Court relating to prior appeals of unconstitutionality against proposed statutes of autonomy and organic laws. This article states in its second section that "according to this law, whoever is eligible to file an appeal of unconstitutionality against statutes of autonomy and the country's organic laws is eligible to file a prior appeal of unconstitutionality. The term for filing the appeal will be 3 days from the completion of the final plan for appeal. The filing of the appeal will automatically suspend the processing of the plan and the passage of the terms."

#### Government Rejects Appeals

It is well known that the government, in order to prevent the filing of the prior appeal of unconstitutionality, published the proposed law in the BOE the day after it was approved and ratified by both chambers without honoring the 3-day delay established by law, so that the proposed law automatically took effect. The socialist cabinet, surprised afterwards by the decision of the supreme court, according to reliable sources consulted by us, will soon carry out a brief modification of Article 79 of the LOTC [Organic Law of the Constitutional Court] for which it would need an absolute majority in congress, a requirement that greatly exceeds its hegemonic power. For this, the PSOE [Spanish Socialist Workers Party] would produce proof that the legislative power and the effectiveness of the law should be delimited and that a legal vacuum could develop during the present situation until the Constitutional Court decides on the filed appeal, and that even if it were presented, the proposed law would not be annulled or inactivated, thus thwarting any attempt at boycotting the government's action directed at the legislative authority of the Cortes.

## Contracted Law

This possible legislative action by the government would be rather strange if it were actually carried out, since it must be remembered that the LOTC was contracted and agreed to between the Socialists, who were the opposition, and the leaders of the UCD [Democratic Center Union] in 1979. During the first legislative proceedings the proposed organic law attained an absolute majority with the votes of the UCD (some representatives went to congress in an ambulance to vote), and of the PNV [Basque Nationalist Party], together with the rejection of the Left. Some amendments having been introduced during its formulation in the senate, it received a favorable vote from the PSOE, a fact that was repeated again in the congress in September 1979, when it was definitively approved by an overwhelming number of votes.

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